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- **Jul 16** **2025 Legislative Wrap-up**
- **Aug 20** **TBD**
- **Sep 17** **What is the FTC Safeguards Rule and Why is it Important?**
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The R&D tax credit is one of the most powerful tax incentives in the tax code. Due to the broad definition of "qualified research", businesses in nearly every industry can take advantage of the credit.

The R&D tax credit is based on "qualified research expenses" (QREs) - for every dollar spent on QREs, you can earn up to $0.04 to $0.07 in federal tax credits! The R&D tax credit is a federal incentive, but many states also offer their own versions, which means even more opportunities for tax savings.

Permitted Purpose Test	Technologically in Nature	Technical Uncertainty	Process of Experimentation
• New or Improved • Product, process, technique, formula • Purpose: Functionality, durability, quality, reliability	• Engineering, physics, chemistry, biology, or computer science • Existing principles are usable	• Capability • Methodology • Final or appropriate design	• Systematic evaluation of alternatives • Trial and Error

COST SEG.



WHAT IS COST SEGREGATION?

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WHAT IS COST SEGREGATION+ ?

All of BRAYN's studies are led by licensed professional engineers. Our Cost Seg+ studies are a more comprehensive tax strategy for real estate with accelerating depreciation deductions.

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• Businesses in any industry who own their own commercial building • Commercial property owners • Income-producing residential property owners

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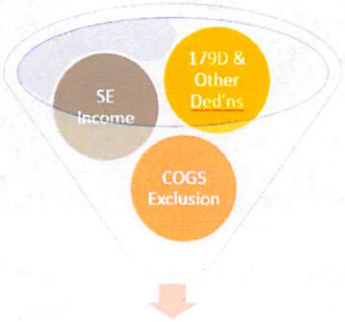
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174 R&E – We are helping CPAs provide strategy and options to mitigate risk and potential solutions to offset costs due to the 174 Amortization issue.

Opportunities for Mitigation and Improvement:



Improved 174 Analysis



Jasmine Nouri
Account Manager
310-480-0445

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Identifying Tax Savings Opportunities

Industry	R&D	45L	179D	Cost Seg.	Sec. 48 ITC
Architecture	✓		✓		
Engineering	✓		✓		
Construction	✓		✓		
Multi-Family Developers		✓	✓	✓	✓
Home Builders	✓	✓		✓	✓
Real Estate Owners/Investors		✓	✓	✓	✓
Software/Technology	✓				
Manufacturing	✓		✓	✓	
Distribution & Logistics	✓		✓	✓	
Gov. & Tax-Exempt Bldg. Owners			✓	✓	✓

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ISCPA 2025

HOW CYBER SECURITY RISK ASSESSMENTS CAN SAVE YOUR BUSINESS

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IF I TOLD YOU THAT ONE PHISHING EMAIL COULD COST YOUR FIRM MILLIONS, WOULD YOU BELIEVE ME?



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AGENDA FOR TODAY

- Why CPA firms are targeted
- Going over FTC Guidelines
- Real-world cyber attacks on accounting firms
- How cybersecurity risk assessments can prevent financial loss and reputational damage
- Practical steps to secure your firm
- Q&A & Next Steps



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WHO ARE WE? Meet our team.

We are on a mission to help you grow your business and protect what matters most.

You could call us small business superheroes.



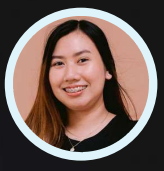
John & Laura Hansman
Owners



David Gaffner
IT Technican



Isaac Seemann
IT Technician



Rhoanne Jamelo
Administrative Asssitant

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The FBI received in 2023

- Over **300,000 Phishing** complaints costing **$19 million**
- Over **3,000 Ransomware** complaints costing **$60 million**
- Over **21,489 Business Email Compromise** complaints costing **$3.96 Billion**



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The Security Challenge



In 2021,
61%
of attacks used hacked employee credentials

94%
of attacks are delivered via email

On average, it takes
120
days to discover a data breach

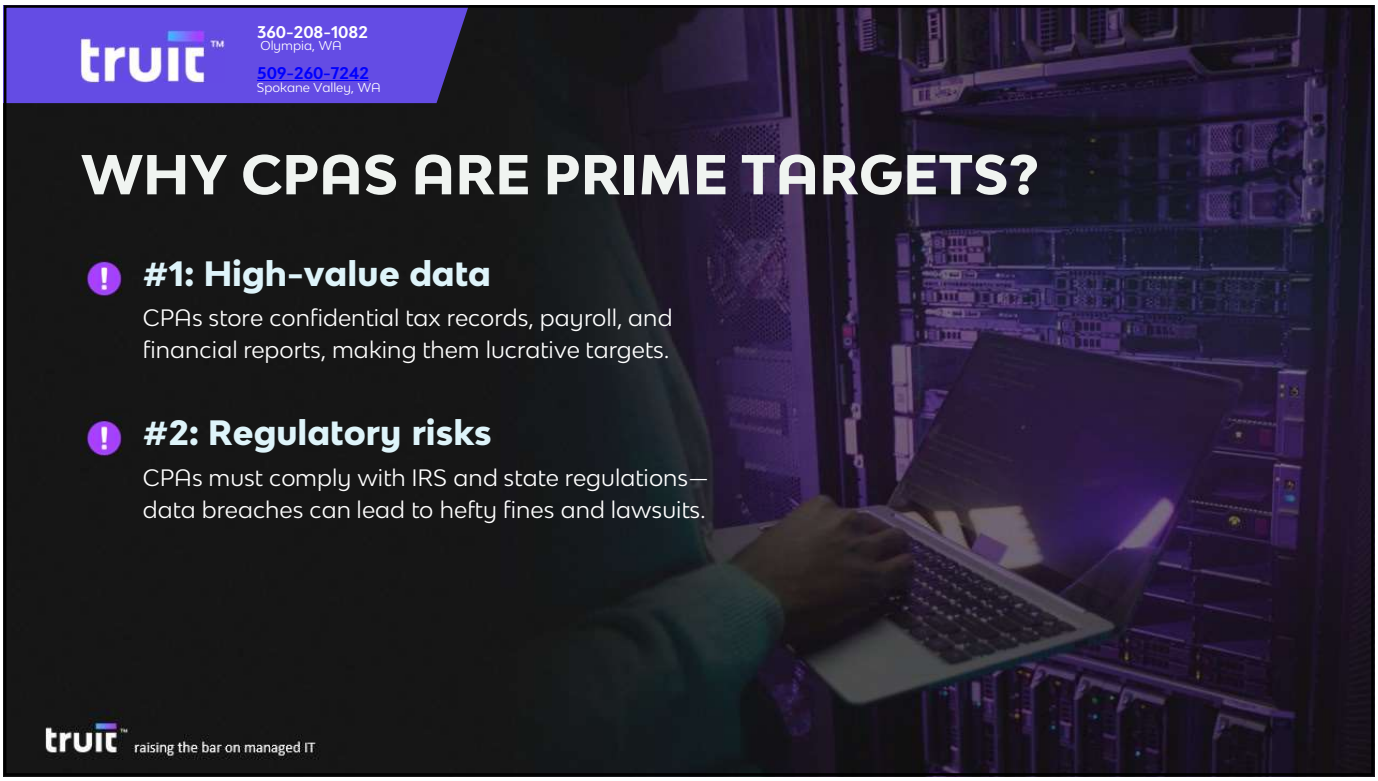
58%
of malware attack victims are small businesses

60%
of small & medium sized businesses go under within 6 months of a breach

26%
of organizations that suffer a breach, don't do anything to prevent another attack

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WHY CPAS ARE PRIME TARGETS?
#1: High-value data
CPAs store confidential tax records, payroll, and financial reports, making them lucrative targets.
#2: Regulatory risks
CPAs must comply with IRS and state regulations—data breaches can lead to hefty fines and lawsuits.
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WHY CPAS ARE PRIME TARGETS?
#3: Cybercriminal tactics targeting CPAs
Phishing & Business Email Compromise (BEC)
Cybercriminals impersonate clients, executives, or IRS officials.
Ransomware Attacks
Encrypt client files and demand payment for access.
Supply Chain Attacks
Exploiting vulnerabilities in tax software (e.g., QuickBooks, Xero).
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What are the FTC Safeguards Rule anyways?

Regulations straight from the **Federal Trade Commission** to protect the security of customer information.

This is CRITICAL as cyber breaches are at an ALL TIME HIGH...

And they're not going anywhere.



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What does a reasonable information security program look like?

Section 314.4 of the Safeguards Rule identifies **nine elements** that your company's information security program must include.

To make it the MOST simple to implement, it breaks down to these FOUR core areas....

- **Risk Assessments by Qualified Individual**
- **Risk Management Plan & Ongoing Evaluations**
- **Employee Training and Monitoring**
- **Incident Response Plan**

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1. Risk Assessments by Qualified Individual

You can't formulate an effective information security program until you know what information you have and where it's stored. After completing that inventory, conduct an assessment to determine foreseeable risks and threats – internal and external – to the security, confidentiality, and integrity of customer information.

Among other things, your risk assessment must be written and must include criteria for evaluating those risks and threats. Think through how customer information could be disclosed without authorization, misused, altered, or destroyed.



01 Designate a Qualified Individual to implement and supervise your company's information security program.

02 Conduct a risk assessment.

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2. Risk Management Plan & Ongoing Evaluations

- Design and implement safeguards to control the risks identified through your risk assessment.
- Regularly monitor and test the effectiveness of your safeguards.

1. Implement and periodically review access controls.
2. Know what you have and where you have it.
3. Encrypt customer information on your system and when it's in transit.
4. Assess your applications.
5. Implement multi-factor authentication for anyone accessing customer information on your system.
6. Dispose of customer information securely.
7. Maintain a log of authorized users' activity and keep an eye out for unauthorized access.

PLUS: Anticipate and evaluate changes to your system & network.

The Safeguards Rule requires financial institutions to build change management into their information security program.

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3. Employee Training & Monitoring

Employees must be trained to spot risks!!

Provide your people with security awareness training and schedule regular refreshers.



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4. Incident Response Plan

Every business needs a "What if?" response and recovery plan in place in case it experiences what the Rule calls a security event.

Section 314.4(h) of the Safeguards Rule specifies what your response plan must cover:

- The goals of your plan;
- The internal processes your company will activate in response to a security event;
- Clear roles, responsibilities, and levels of decision-making authority;
- Communications and information sharing both inside and outside your company;
- A process to fix any identified weaknesses in your systems and controls;
- Procedures for documenting and reporting security events and your company's response; and
- A post mortem of what happened and a revision of your incident response plan and information security program based on what you learned.

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How long will it take to implement these safeguards?

Implementing this process will take anywhere between 4-6 months.

FTC Safeguards deadline was June 9th, 2023.

It was extended from December 9th, 2022 due to a shortage of qualified cybersecurity professionals.
(Federal Trade Commission, 2022)

- **Risk Assessments by Qualified Individual**
- **Risk Management Plan & Ongoing Evaluations**
- **Employee Training and Monitoring**
- **Incident Response Plan**

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CASE STUDY

W-2 SCAM ON ACCOUNTING FIRMS

SCENARIO

In early 2016, cybercriminals **impersonated Seagate Technology's CEO** and emailed an HR employee **requesting all employees' W-2 tax forms**. Believing the request to be legitimate, the employee complied, exposing personal and financial information.

OUTCOME

The breach c**ompromised the personal data of approximately 10,000 employees**, including Social Security numbers and salary details. This led to an **increased risk of identity theft and fraudulent tax filings**. Additionally, **Over $3 million in fraudulent tax refunds stolen, firms suffered IRS penalties and lawsuits.**

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CASE STUDY

W-2 SCAM ON ACCOUNTING FIRMS

LESSON (COMPANIES MUST IMPLEMENT)

- **Multi-Factor Authentication (MFA)**
  Adding an extra layer of security to prevent unauthorized access.
- **Employee Training**
  Regular cybersecurity training to recognize phishing tactics.
- **Verification Protocols**
  Establishing procedures to verify sensitive data requests before responding.

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WHAT IS A CYBERSECURITY RISK ASSESSMENT?

A cybersecurity risk assessment is a **comprehensive and in-depth evaluation of potential threats, vulnerabilities, and risks to your firm's sensitive data.**

WHY DO CPAS NEED IT?

- **Protects client data from cybercriminals.**
- **Reduces liability and ensures regulatory compliance.**
- **Enhances trust and credibility with clients.**

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WHAT IS A CYBERSECURITY RISK ASSESSMENT?

KEY COMPONENTS

- Identify sensitive data and access points.
- Analyze potential threats and vulnerabilities.
- Assess the impact of a breach on operations and finances.
- Develop a risk mitigation plan with security controls.

REGULATORY COMPLIANCE

- Aligns with IRS security requirements and SOC 2 cybersecurity frameworks.

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REAL WORLD CYBER ATTACKS ON CPA FIRMS



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CASE STUDY

TREASURE ISLAND HOMELESS CHARITY (2020)

In December 2020, hackers used a **compromised third-party bookkeeper's account to redirect $625,000** from the Treasure Island Homeless Charity in San Francisco to their own accounts through a BEC attack.

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HOW IT HAPPENED

Entry Point

Hackers **infiltrated the email of a third-party bookkeeper** connected to the charity.
d the attack.

Entry Point

They **altered a legitimate invoice with fraudulent bank details,** leading staff to unknowingly process the payment.

Entry Point

Hackers **posed as the executive director**, Sherry Williams, to justify the payment delay as routine.

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IMPACT

- **Financial Loss** - **$625,000 lost, no recovery** due to lack of cyber insurance.
- **Limited Law Enforcement Support** - Complex international cybercrime **left funds unrecovered.**

IMPACT

- **Cyber Insurance** - Crucial for **mitigating financial losses.**
- **Security Measures** - Use **MFA and train employees** to prevent BEC.
- **Verification - Independently confirm payment details** to avoid fraud.



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CASE STUDY

WOLTERS KLUWER DATA BREACH (2019)

INCIDENT

Ransomware attack **shut down Wolters Kluwer's tax and accounting software**, preventing thousands of CPAs from accessing client tax records.

IMPACT

- Delayed tax filings, leading to compliance issues.
- Financial losses in millions.
- Reputational damage and loss of client trust.

LESSON

Regular security updates and penetration testing could have mitigated the attack.

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CASE STUDY

RANSOMWARE ATTACK ON A MIDWEST ACCOUNTING FIRM

INCIDENT

Cybercriminals **encrypted all client tax and payroll data, demanding a $150,000 ransom.**

IMPACT

- The firm paid, but the cybercriminals never fully restored access.
- Multiple clients left due to trust concerns.
- Costly cybersecurity overhaul required afterward.

LESSON

Secure offsite data backups and a robust incident response plan are crucial.

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HOW A CYBERSECURITY RISK ASSESSMENT COULD HAVE PREVENTED THESE ATTACKS

Proactive vs. Reactive Cybersecurity: Waiting for a breach is costlier than preventing one.

KEY LESSONS

- **Regular security audits detect vulnerabilities before attackers do.**
- **Multi-Factor Authentication (MFA) prevents phishing-based breaches**
- **Incident response planning reduces downtime and financial loss.**
- **Encrypted, offsite backups ensure data recovery without paying ransoms.**
- **Employee training reduces human error, a major attack vector.**

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CYBERSECURITY RISK ASSESSMENT CHECKLIST FOR CPA FIRMS



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IDENTIFY & PRIORITIZE DATA

- Do you store financial records, tax filings, payroll data, client SSNs?
- Have you classified data based on sensitivity and access levels?



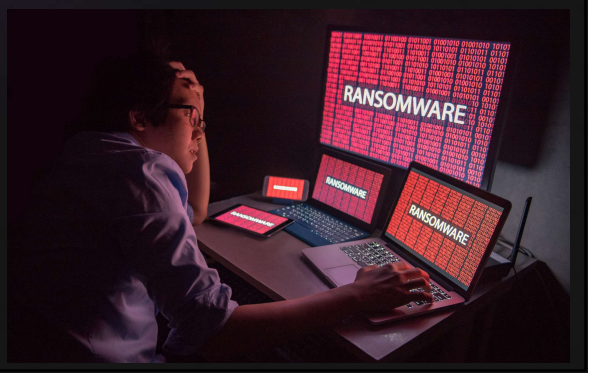
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ANALYZE INTERNAL & EXTERNAL THREATS

- Are you protected against phishing, ransomware, insider threats, and software vulnerabilities?



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EVALUATE CURRENT SECURITY MEASURES

- Do you have firewalls, MFA, endpoint protection, and secure backups in place?



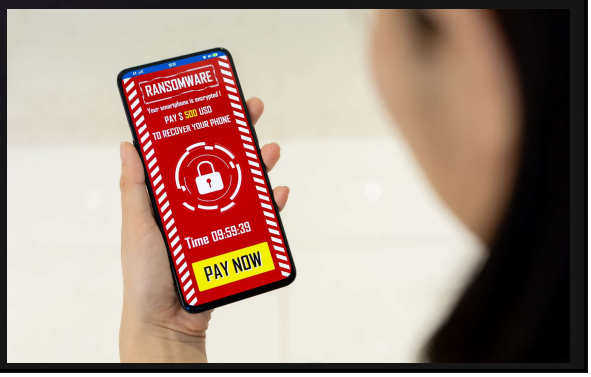
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CONDUCT PENETRATION TESTING

- Have you simulated an attack to identify weaknesses before cybercriminals do?



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DEVELOP A RISK MITIGATION PLAN

- Have you implemented least privilege access controls and cybersecurity policies?



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ONGOING MONITORING & EMPLOYEE TRAINING

- Are employees regularly trained on cybersecurity best practices?
- Do you conduct frequent security audits?



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PRACTICAL TAKEAWAYS

- Proactive risk assessments are the #1 defense against cyber attacks.
- Implement MFA and email verification protocols.
- Invest in cyber insurance but don't rely solely on it.
- Regular security awareness training reduces risk significantly.
- Work with cybersecurity experts to ensure compliance with IRS and SOC 2 regulations.

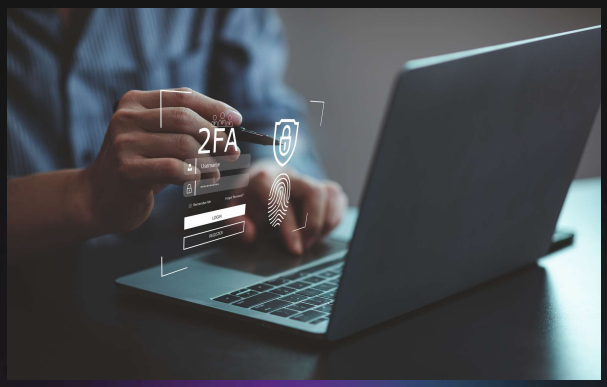
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IF YOU HAVEN'T HAD A CYBERSECURITY RISK ASSESSMENT IN THE LAST 12 MONTHS, YOUR FIRM IS AT RISK.

LET'S FIX THAT TODAY!



Don't Wait Limited Spots Available!

Secure your complimentary session now and take the first step toward a safer, more productive future.

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Free Cybersecurity Resources

SCAN ME

- Checklists for cybersecurity best practices & compliance.
- Cybersecurity tips to prevent cybercriminals from attacking.
- Infographics you can implement for team training .

QUESTION AND ANSWER

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