

STATE OF ACCOUNTING

POINTS OF VIEW FROM THE ACCOUNTING LEADERS' DESKS



WITH THE UNIQUE AND UNCHARTED SCENARIOS THAT WE HAVE FACED SO FAR IN 2020, BUSINESS OWNERS, CFOs and other C-suite professionals have had to tackle more challenges than ever before. The economic climate has forced companies to make changes to the way they do business and to the way they approach their economic strategies.

Indeed, financial stewards (accountants, financial planners, CFOs) have found themselves navigating new terrain and assuming roles perhaps more important than before. In this special section, we turn to the expertise of some of the leading financial minds in the region to gain insight and perspective on accounting today and what businesses need to know.

The New Normal and a New Approach

By TOM BARRY, CPA

The COVID-19 pandemic has forced companies to re-invent themselves in the short term. For many, the priority has been to weather the economic fallout by maintaining adequate cash flow and ensuring overall liquidity, all while keeping their employees safe. As the region slowly begins to emerge from this crisis, there will be a separation in the market. There will be static organizations who return to business-as-usual and dynamic ones that took it as a catalyst for transforming their services, clientele and market. The latter will be the ones that ascend to the forefront of their field.

The arrival of COVID-19 was not just a change — it was an acceleration in an accounting firm's need to shift from compliance to business advisor. For many, the pandemic fundamentally changed very little in regards to the ability to perform services. With a laptop and internet connection, most were able to deliver the same functions to the same clients as they could working behind a desk.

The true challenge going forward will be how to use a once-in-a-century pandemic as an once-in-a-lifetime opportunity to transform an entire field, solve issues in real time and think creatively about how to improve the experiences of employees and clients alike. This presents a chance to think long-term about the new normal and how to ultimately set oneself apart from the competition.

TECH AND CONTINGENCY: THE POST-COVID REALITY

Six months ago, a robust technology infrastructure was a luxury for many organizations. Now, it is imperative. Having the ability to reliably and securely deliver services requires technology and knowledge. Unfortunately, these are two things that many companies are missing, and productivity is suffering. Firms that embrace the cloud, Zoom, Slack and other virtual tools will continue to be industry leaders with the shift towards remote working.

Contingency planning was also once a luxury. In 2019, preparing for a global pandemic was unnecessary for most. Today, it is necessary for all companies. Organizations are obligated, legally and morally, to think through how employees can work safely and effectively through a disaster. Those that have detailed plans in place that can be implemented organizationally when the next disaster strikes will be better prepared to adapt to unforeseen circumstances like COVID-19 and mitigate the productivity losses that hurt employees and their firms at the beginning of the pandemic.

BREAKING RECRUITING'S LOCATION BARRIER

One of the positive aspects of remote work is recruiting talent. While remote working may deprive the workforce of the collaboration that emerges from occupying the same workspace, it allows people to contribute throughout the country, meaning that companies can bring talent to their workforce without worrying about having to lure people to a new city. Many accounting firms were already embracing virtual employees, but COVID-19 under-



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scored the necessity of this practice and how it is needed in order for firms to thrive and survive.

Broadening the recruitment radius will also be a plus for improving diversity in the workplace, which is repeatedly shown to enhance a company's overall performance, as noted by Harvard Business Review. Companies that use this opportunity to add valuable and diverse perspectives to their teams will not only offer better services but will also be a step ahead when they want to broaden their market share to new regions and communities.

LONG-TERM THINKING WILL LEAD TO LONG-TERM SUCCESS

Confronting the current challenges is only the first step towards solving them, and maintaining client relationships is at the top of the list. The client experience is more than a business transaction; it is a human connection that needs to be continually cultivated. It is an ongoing assessment of client needs to ensure expectations and goals are in line with marketplace demands.

Forbes references several surveys that show companies who prioritize clients consistently perform better than those that do not, and firms who adapt to that challenge in the age of COVID-19 will be at an advantage. Expanding offerings, adjusting services and meeting clients where they need help the most — and doing it virtually — are more important than ever. It is more than just a response to a pandemic; it is about a new era of professional needs.

Tom Barry, CPA, is Managing Partner for Green Hasson Janks. As Managing Partner, he sees himself as a combination of entrepreneur, partner, consultant, coach and business advisor. With more than 25 years of accounting experience, Barry believes in leveraging technology to create a flexible schedule that allows him to be a father and husband in addition to fully committing to his career at the firm. Learn more at greenhassonjanks.com.

A Brave New Accounting Industry

By DOUGLAS WAITE, CPA, MBA

If I had been writing an article on the "state of accounting" a few months ago, it may have looked quite different. The economy was rolling along, the stock market was continuing on its record run, and our biggest problem was how we were going to find enough people to do all the new work we were getting. All that changed when the accounting industry, like many others, quickly had to evolve to meet the challenges brought on by the COVID-19 pandemic — from adapting to remote-working environments to the new tax legislation and reporting deadlines. While some of these challenges will hopefully be short-term, there will also likely be long-term consequences and benefits.

SERVING CLIENTS

Perhaps one of the easiest parts of this for the industry to adapt to has been implementing the new legislation — as we are all already accustomed to actively seeking out the best opportunities for our clients. The programs available through the CARES Act have helped us find solutions to the challenges our clients may be facing; although, many of the CARES Act provisions are only short-term solutions, and we will likely need to find new, longer-term solutions for many clients who have been significantly impacted by the pandemic-driven recession.

REMOTE WORK

The accounting industry is fortunate to have a large part of its workforce already mobile. For auditors, working at a client's office is easily transferrable to working from home. For other teams with work that was traditionally done in the office, such as tax and business management, mobilizing entire departments in a matter of days, posed greater challenges. However, with these potentially short-term challenges came the possible long-term opportunity to re-envision how this work is being done and develop new platforms and procedures that are more flexible and efficient — and, of course, which ultimately better serve our clients.

TALENT POOL

As the accounting industry adapts to the new remote-work conditions, and develops new tools and procedures to best serve the clients, many firms may find that they can be just as productive by giving their employees the choice of where they want to work from and therefore be able to attract talent from outside their normal geographic area. Opening the talent pool to far broader reaches will create the ability for smaller and regional firms to compete for top talent nationally — and give candidates much more choice in their job search.

COMMUNICATION

A firm's ability to communicate with its clients and staff has also changed significantly. For clients, breakfast or lunch meetings, which once provided a warm and casual way to discuss issues or get to know one another, have been replaced with video conferencing. For staff, the inability to bump into each other at the office has made the day feel more impersonal and sometimes inconvenient. Finding ways



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to maintain personal relationships and effectively collaborate, in and out of the office, will be one of the primary, ongoing challenges for all industries, but for the accounting industry, I suspect that all firms will invest more in internal communication systems, strategies, and staffing. This will now play more of a starring role in running the business and effectively managing remote teams.

EQUALITY

Beyond the changes stemming from the pandemic, the accounting industry should also see the current protests for racial equality as a call to action. While our industry has made great strides in addressing the issue, we still have a long way to go. Now is the time for everyone in the industry to reevaluate their diversity and inclusion policies, recruitment strategies, and outreach programs — proactively looking for ways to be more inclusive to people of color. If access and opportunity continue to be part of the root issue, then one of the essential components of any industry-wide changes must be for all of us to work together to reach out to the younger generations — especially in communities of color — to introduce them to the opportunities in the accounting industry through mentorships, scholarships, and internships.

It's not often that an entire industry has so much opportunity for innovation at one time, and it can be difficult to capitalize on it all as quickly as needed, but I think this year has shown us all that we're a lot more adaptable than perhaps we even realized. I imagine that very few firms will even want to return to the old version of "normal" and instead, find this "new normal" as a jolt of inspiration to continue the forward trajectory of growth and innovation.

Douglas Waite, CPA, MBA, is Miller Kaplan's managing partner. He has more than 35 years of experience and knowledge of employee benefit plans, with the majority of those years served at Miller Kaplan. Learn more at millerkaplan.com.

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More than Half of Surveyed Business Executives Say Their Companies Sought PPP Funds

Respondents also report cost containment steps taken due to pandemic

Some 56 percent of business executives said their companies had sought relief funds through the Paycheck Protection Program (PPP), a \$660 billion initiative under the CARES Act designed to protect small businesses and their employees, a survey by the American Institute of CPAs found.

The PPP was far and away the most popular form of pandemic-related aid sought, followed by the Small Business Administration's Economic Injury Disaster Loan (EIDL) program at 8 percent, according to the latest AICPA Economic Outlook Survey, topline results of which were released last week. Some 35 percent of survey respondents said they hadn't applied for government relief.

For chart one, exhibited on this page, respondents could check all categories that applied, so the numbers do not add up to 100 percent. The "other" category includes advance Medicare payments, employer payroll tax deferral, employee retention credit and nonprofit grants, among other items.

The AICPA Economic Outlook Survey polls chief executive officers, chief financial officers, controllers and other certified public accountants in U.S. companies who hold executive and senior management accounting roles. Two-thirds of the companies these executives represent are privately owned entities, with the rest a mix of publicly listed companies and not-for-profits.

"The overwhelming majority – 92 percent – of executives in our survey said their companies had been impacted negatively by the pandemic," said Ash Noah, CPA, CGMA, managing director of CGMA learning, education and development for the Association of Interna-

tional Certified Professional Accountants. "The survey results give a snapshot of how they've coped so far, with many relying on a mix of relief programs, cost containment and business continuity strategies."

Sixty-one percent of survey respondents said their companies had kept their employment levels and pay structure intact, presumably in part due to the widespread use of PPP and related programs. Others had furloughed or laid off employees or instituted pay cuts, among other tactics.

Chart two on this page was also "check all that apply." For the "other steps" category, respondents listed such examples as:

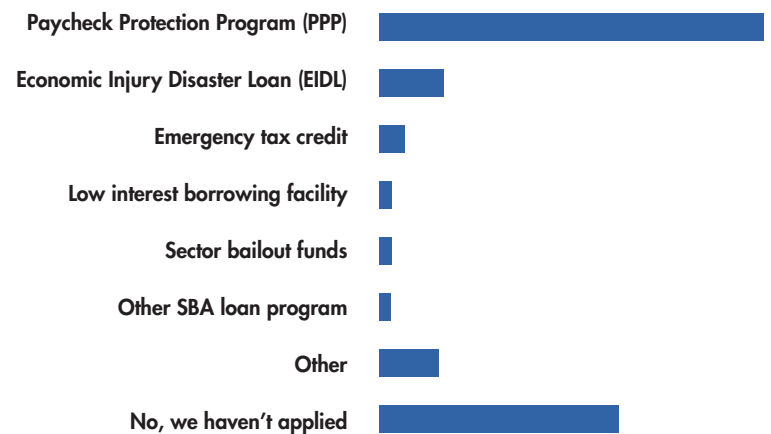
- Reduction in force for indirect and support areas
- Reduced hours, OT hours, 4-day workweeks
- Merit increases, bonuses, profit-sharing eliminated
- Salary freeze, hiring freeze
- Eliminated contractors, offered early retirement
- Bonuses, hazard pay, premium pay, thank you bonus, stay bonus
- Product offerings revised

The AICPA and a small business funding coalition it leads are strong advocates of the PPP and worked to help speed and simplify its implementation through a series of recommendations and the development of loan application and forgiveness calculators for the program.

"Our stance from the beginning was that it was vital to get money into the hands of small businesses quickly to ensure that their lights stayed on and their employees were protected," said Erik Asgeirsson, president of CPA.com, the AICPA's business and technology arm. "The Economic Outlook Survey data suggests that approach has been largely effective."

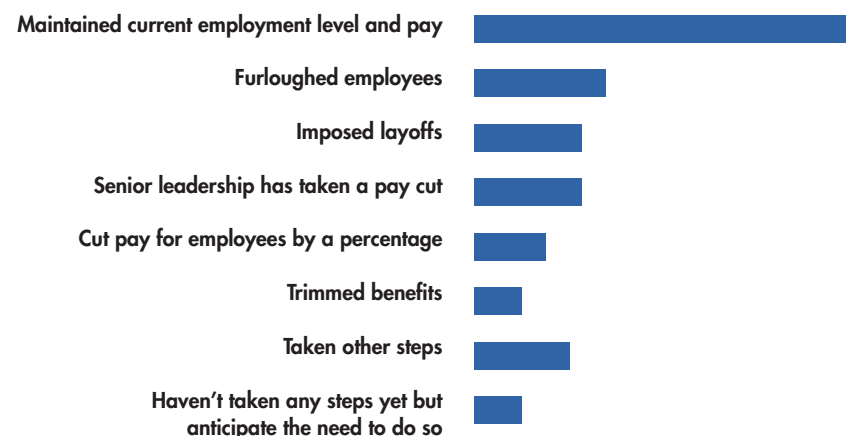
Information for this article was provided by the American Institute of CPAs. Learn more at aicpa.org.

PANDEMIC - GOVERNMENT RELIEF?



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PANDEMIC-RELATED IMPACTS TO WORKFORCE



New "Core + Discipline" CPA Licensure Model is Designed to Future-Proof the Profession

The National Association of State Boards of Accountancy (NASBA) and the American Institute of CPAs (AICPA) have proposed a new CPA licensure model that is designed to evolve newly licensed CPAs' knowledge and skills, protect the public interest and position the CPA profession for the future. NASBA and AICPA believe this draft model will address the greatly expanding body of knowledge required of newly licensed CPAs, which includes a deeper understanding of systems, controls, SOC engagements and data analysis.

The proposed model reflects dialogue with stakeholders such as AICPA members, firms of all sizes, academia, federal regulators, students, technology experts, state CPA societies and state boards of accountancy on five guiding principles to inform the creation of a new licensure model. Feedback on the principles from more than 2,000 stakeholders indicated these themes:

- There is support for the need to change the CPA licensure model to have a bigger emphasis on technology skills and knowledge in

licensure. The majority of stakeholders shared this view.

- All newly licensed CPAs should demonstrate strong common core competencies of accounting, auditing, tax and technology.
- While technological expertise should be required for licensure, there are other factors disrupting the profession, and a revised licensure model should be about maintaining the strength and relevance of the CPA license to ensure continued public protection.

NASBA and AICPA also conducted a study of other professions' licensure models. The organizations aim to finalize an approach for a new licensure model by Summer 2020, followed by a multi-year implementation plan. Both organizations are still collecting feedback on the proposed model and those wishing to provide input can email Feedback@EvolutionOfCPA.org.

The draft model's robust requirements start with a strong core in accounting, auditing, tax and technology that all candidates would be

required to complete. Then, each candidate would choose a discipline in which to demonstrate deeper skills and knowledge. Regardless of chosen discipline, this proposed model would lead to a full CPA license, with rights and privileges consistent with today's CPA. A discipline selected for testing would not mean the CPA is limited to that practice area.

"U.S. Boards of Accountancy, as regulators, must remain relevant to protect the public we serve," claimed NASBA Chair Laurie Tish, CPA. "Today's marketplace is shifting and CPAs need new skills to continue to serve organizations and the public. We need to ensure that CPAs continue to have the competencies needed to support an accounting profession that plays a critical role in protecting the public interest," she added.

The proposed model will:

- Enhance public protection by producing candidates who have the deep knowledge necessary to perform high-quality work, meeting the needs of organizations, firms and the public;

- Reflect the realities of practice by requiring candidates to demonstrate deeper proven knowledge in one of three disciplines that are pillars of the profession;
- Be adaptive and flexible, helping to future-proof the CPA as the profession continues to evolve; and
- Result in one CPA license.

"The model we are proposing reflects the realities of practice today. When you look at the profession twenty or thirty years ago, it's evident that the demands of CPAs have grown," said Bill Reeb, CPA, chair of the AICPA. "We need a licensure model that is flexible enough to evolve with our profession."

More information on the CPA Evolution initiative may be found at www.evolutionofcpa.org.

Information for this article was provided by the National Association of State Boards of Accountancy and the American Institute of CPAs.