

Renewing a Great Profession
AICPA Chairman's Inaugural Address
Robert L. Bunting

Thanks for that generous introduction, Scott. I'll have a few words to say about you in a couple of minutes, so please don't leave the room.

In preparation for the coming year, I have spent a lot of time pondering how much one individual can contribute to the advancement of an entire profession in the course of a single year. Every new AICPA chair inherits initiatives from the past, and must deal with events beyond anyone's control. A chair strives, at best, to finish a few good journeys started by others, contribute to the progress of

initiatives already in motion, and point the way to new roads not yet explored.

At the end of the year, what does it add up to? Can a chairman's leadership translate into a profession whose value has been preserved and enhanced? Because that is my goal. I believe that we can accept no less. And I expect no less of myself.

A great profession does not stand still for long; and it cannot allow itself to slide back. New issues emerge; old issues take on new twists. We must deal with all of them – and build on the standing of our profession through each of them.

Those two words – “great profession” – form the core of what I want to say to you.

The word “great” is identified with people whom are widely admired: Ronald Reagan, the Great Communicator; Jackie Gleason, the Great One; and Muhammad Ali, the Greatest.

In the **ideal** world, I would combine some of the qualities of these three gentlemen:

The modest but determined leadership style of Ronald Reagan.

The showmanship of Jackie Gleason.

The speed and physical grace of Muhammad Ali.

Unfortunately, in the **real** world, there is always the chance that I will end up displaying the modest style of Muhammad Ali and the speed of Jackie Gleason.

But however I get there, my goal is to preserve and enhance the greatness of our profession.

What is it that makes a profession great?

A great profession takes a long view. Its members inherit a legacy from the past, derive benefit from it, build on it, and pass it on to the next generation even stronger than they found it.

A great profession occupies a position of trust. When we review our assets, none is as important as our position of trust in the economic marketplace.

A great profession builds bridges of communication and credibility with key stakeholders. This includes the regulators and government bodies who rely on our skills and services to advance the public interest.

A great profession plays a vital role in the health of our economy and our society.

And a great profession renews itself. It does so by attracting a continual flow of talented new professionals.

And, it renews itself by carving new roads that can accommodate the needs of future travelers.

The greatness of any profession is not something that can be taken for granted. It requires constant investment and renewal. Laurels are not something to rest on; they are something to build on.

And that is something I fully intend to do: to build on the legacies left by the great Chairs who preceded me.

A few minutes ago, I evoked the names of three great men: Reagan. Gleason. Ali.

Now I would like to evoke the names of three great volunteer leaders. Please hold your applause while and I ask each of them to stand as I say their name: Voynich.

Ezzell. Castellano. Jim Castellano is not able to be here due to a death in his family, so I ask you to visualize him standing with Scott and Bill.

These three volunteer leaders helped steer the AICPA through one of the most challenging periods in its history.

Jim stepped into the toughest and most demanding year that any of us can remember, and he handled it with tremendous fortitude and class. For his courage under fire, I will always think of Jim as the Great Commander.

Bill took over the reins in the midst of the challenge, and launched the rebuilding process. He did it all with humor and grace. At a time when we all carried the weight and worries of unrest in our profession, he helped us to see the

light at the end of the tunnel. And for that, he is in my view the Great Illuminator.

Scott continued the rebuilding process, and guided the AICPA back to the solid ground we had traditionally occupied. And after this year I will always think of him as the Great Restorer.

Together, these three leaders put us in the position where we can look aggressively to the future rather than react to the past. We owe them a debt of gratitude. (Applause)

But these three should not be standing alone. Each of you, as Council members, has likewise contributed to the place we now find ourselves. The fact that each of you is

actively involved in the AICPA demonstrates that you are “builders” of laurels, not “resters.”

I’d like to spend my time with you today suggesting how we might build on our momentum and enhance the characteristics of greatness I have described?

First, let’s look at our commitment to ethical and professional standards. Great professions do not expect someone else to enforce their standards; they take responsibility for themselves.

Regulators serve a vital role for our profession. But let’s not forget one thing: The role of the regulator is to set the *minimum* requirements for protecting the public interest and disciplining those who fail to meet them. But a series

of minimum standards – as necessary as they are – is not a formula for greatness.

Greatness comes from aspiring to high expectations, and from doing what has to be done to meet them. That is the spirit that has driven the CPA profession, and it demands far more from us than merely complying with the rules set down by regulators.

Many firms are now pursuing innovative means of ensuring high ethical standards. At my own firm, for example, we have hired what you might call an independent chief ethics officer, the dean of a business school. He has the mandate to look inside our organization and tell us whether we are walking the talk when it comes to the ethical behavior we expect from our leaders.

Ours is not the only method. It may not even be the best method. Other firms have developed unique approaches to address their individual circumstances.

The point is, our responsibility must be greater than simply meeting the minimum.

Decisions to do the right things are not always easy on the people who make them.

When I think about high standards, I am reminded of a conversation I had with my son, when he was a teenager.

Before I tell this story I need to tell you that my son is now an adult, a husband and a father, and I am very proud of him, as I am proud of my two daughters.

But when he was growing up, Steve was a handful. One time he got himself a job delivering free newspapers. At first, I was proud of his initiative and new found work ethic. But you might say that he showed a little too much initiative. Since the newspapers were free, and no-one was expecting to get them, he figured there was no reason to actually deliver them. So he just chucked the bundles into a dumpster. Only he hadn't taken one thing into account: His name and address were on each of the bundles. The owner of the dumpster found the bundles and notified the publisher who fired my son. To be honest, when I sat down to talk with my son, I was tempted to tell him that he needed to lead a stellar life because he wasn't devious enough to get away with anything else!

Instead, I sat him down for a heart-to-heart discussion about ethical behavior. I explained to him that he was at a “cross-roads.” I also managed to mention the high road, the hard road, the wrong road and that the road to ruin was paved with good intentions. At the end of my pitch, Steve said to me: “Dad, I don’t like your roads.”

At that point I decided to drop the metaphors and make it clear: Clean up your act or you don’t get to use the car – it’s the high road or the bus!

Steve was just a teenager, but even in adulthood some want a smooth, easy road. And in our quest for greatness, there are a vocal few in our profession who will not like the roads we must travel any more than my son did at age 16.

That brings me to an initiative that can move us further up the high road: Peer review transparency.

The original design of peer review has become a victim of rising expectations. Yesterday's process has to be adjusted to meet today's demands. Peer review was designed as an educational and remedial program to strengthen quality control, prevent recurrences of problems, and correct deficiencies in the practice of member firms. It was not intended to aid the enforcement responsibilities of others; it was intended to be corrective rather than punitive.

Members expected confidentiality in the process – and the AICPA delivered that.

But what was accepted as confidentiality in the past is seen as secrecy today. And it is no longer tenable.

Transparency is more important than ever, because a wider universe of people have come to rely on peer review – including regulators and clients in ever increasing numbers.

It is more important than ever, because peer review is taken as a guide by institutions like credit grantors that influence the decisions of others in hiring an accounting firm.

Transparency is more important than ever, because firms are trumpeting their positive reviews to clients and potential hires as a badge of quality.

And transparency has become more important than ever because most states now make peer review part of their qualification for licensure. At the moment, 46 of the 54

states and territories either mandate peer review, give the state accountancy board authority to do so, or are considering moving in that direction.

We have succeeded in earning respect for peer review.

Now we must open it up to the people who have invested confidence in it. Over the coming year, this profession will engage in a dialog on the issue of greater transparency. My goal as Chairman is to at least bring our members into greater awareness of their opportunity to move further along the road to a great profession. And it is my hope that you and CPAs across the country will eventually carry this legacy forward through a successful member referendum.

Greatness also requires we build bridges with regulators and government bodies, with whom we share a profound commitment to protecting the public interest. The number and diversity of these bodies has grown exponentially in recent years. Most notable among these is the PCAOB, but the IRS, DOL, FBI, SEC, GAO and others have a great and growing interest in how we carry out our professional and public interest role.

For example, just three months ago, in a statement to the Senate Finance Committee, IRS Commissioner Mark Everson stated: “Our system of tax administration depends upon the integrity of tax practitioners.” Our critical role as tax preparers serves the needs of our clients for expertise in coping with complex tax laws, but we are also seen as critical to the functioning of the US tax system. In this

regard we serve two masters, and we must continue to improve our skills in dealing with our many public interest masters.

The AICPA must find the balance between serving the needs of clients, representing the interests of our stakeholders and responding to the legitimate public interest concerns of our real and would be regulators. We must strive for relationships that feature open communication, and mutual respect while preserving the ability to vigorously oppose regulatory initiatives that do not make good sense.

The good news is that more Federal, State and other agencies than ever before believe that the work of CPA's is critical to the functioning of our economy. Our challenge

is to ensure that we have a seat at every table when laws and regulations are made.

We have made great progress over the past 24 months, but we are clearly only at the beginning of a very long journey.

Fundamentally, great professions play a vital role in the health of our economy and society.

Each of you – whether you work in academia or government, for a corporation or in a public accounting – is involved in the process of providing understandable, reliable, and transparent information for decision-makers.

This role is vital to our society and its economy. It is in our interest as a profession to ensure this function's integrity, fairness and relevance. The AICPA must continue to ensure we fulfill that important responsibility.

One example of this commitment is the establishment of three Audit Quality Centers: the Center for Public Company Audit Firms, the Employee Benefits Plan Audit Quality Center, and most recently the Government Audit Quality Center. Joining these sub-organizations is an example of adopting a higher standard. Membership does not just represent another plaque on the wall. It represents a heightened commitment to specialized knowledge, following standards and employing the tools to achieve them. My goal is that by the end of this year the vast majority of practitioners' in these three areas will have demonstrated their commitment to quality by joining these important centers of excellence.

But, accounting and reporting is not our only possible contribution to the financial health of our society. We can serve the public interest by offering our expertise to help frame policy, inform policy makers, and educate the public on matters affecting their financial health.

We will continue our efforts to bring clarity and resolution to the tax shelter issue while preserving the taxpayers right to minimize their taxes. And we will continue to fulfill our role in commenting on the fiscal policy of government, to ensure prudence. This includes issues of public policy prudence, including the viability of social security and public health insurance. We will work with others who are concerned about these great issues, lending our expertise to help Americans understand the ramifications of policies

that have enormous consequence for our country's fiscal future.

I'm fully committed to making our financial literacy campaign a model for how a profession that cares about the public interest can leverage its skills and position of respect in every community to benefit society. When I think of the possibilities I imagine what it would be like to stand in the midst of an empty sports stadium. Ten people filter in and began cheering. Their voices are all but lost in the cavernous space. Then the cheering crowd swells to 100 and then 1000 and eventually 10,000. As the crowd grows the sound becomes audible. Then it becomes loud, and finally it becomes thunderous. We have 351,000 respected knowledgeable voices about financial literacy issues. We

need to engage those voices in making a thunderous noise about our nation's financial health.

As a great profession, we must also renew ourselves.

This means both bringing in new blood -- young bright and committed professions who can carry our legacy forward – and building roads in new directions.

The heart of any profession is the quality of talent attracted and retained in the profession.

Thanks to a combination of events, including the effectiveness of the AICPA sponsored student recruitment efforts; we are seeing meaningful growth in enrollment in university level accounting programs. The just completed 2000-2003 Supply Survey of accounting program

enrollment shows that accounting program enrollments are up 17% from 2000 and graduation rates in accounting are up 11% from 2002 to 2003.

This surge could not come at a better time since there will be a huge need for talent as the leading edge of the “Boomer” generation begins to retire and as the resource needs of the profession grow in the post Sarbanes Oxley environment.

But new blood is not the only area where renewal is needed. We must continue to move forward with the Enhanced Business Reporting project to fully test the appetite of the user community for a more comprehensive reporting model. If there is no demand, so be it, but we must lead rather than follow in this discussion.

At the same time we must resolve, once and for all the question of differential accounting standards and ensure that audit standards continue to be relevant to the needs of not-for-profit and private companies. We have seen the tremendous pressure for financial reporting standards in the public company world to cascade into private companies and even the not-for-profit sector. Some might think that it is hypocrisy to argue that these standards should be restricted only to public companies. But this is may be one instance where what is good for General Motors is not necessarily good for the country.

It must be a priority for the AICPA to find the right way in this marketplace, with the active involvement of the various stakeholders of private company financial reporting –

through our task force led by Jim Castellano, and the Auditing Standards Board with its mandate to improve the quality of audits.

There is one last characteristic of great professions that we must keep in mind: Great professions don't just accept change. They don't just embrace change. Great professions initiate change – for their own good, for the public good, and for the sake of the future.

More than 30 years ago, a professor of medieval studies at UCLA – Lynn White – summarized modern times in this way: “We live in an era when rapid change breeds fear, and fear too often congeals us into a rigidity which we mistake for stability.”

It is tempting to cling to the status quo, simply because change brings with it challenges. Change can be unsettling, forcing us to rethink long-held notions and reassess our way of doing things. Change can be a tough road to travel. Like my son when he was a teenager, it may be a road that many would prefer to avoid.

Many of the initiatives I've described here today involve this unsettling process called change. One of my priorities is to ensure that the AICPA is an organization that promotes change, rather than recoils from it... because that's what great professions do.

At the end of my year as Chairman, if we have moved further along the road to greatness, then I will have done

my part. If that happens, it will not be because of anything I was able to do on my own. It will be because of all those great people who join in this mission. People like you. I look forward to making the journey with you.

Thank you.

