Good morning, everyone. On behalf of the American Institute of CPAs, I’d like to welcome you to the 2017 Conference on Current SEC and PCAOB Developments. It is a pleasure and honor to speak with you again.

Let me take a moment to thank the SEC and the PCAOB standards-setting team members who dedicate their time to protecting the public interest.

I also want to thank this year’s Conference Chair, Fred Frank from Moss Adams, for his leadership in putting together an interesting and informative lineup of topics and presenters that highlight the highest priorities for our profession. Over the next few days, we’ll hear from Jay Clayton, the SEC Chairman; Jim Doty, Chairman of the PCAOB; Russell Golden, Chairman of FASB; and Sue Lloyd from IASB – just to name a few.

Emerging technologies, workforce changes, regulatory complexity, geopolitical instability, and financial challenges are changing the marketplace and creating new opportunities. And as a result, our work as a profession has never been more important. We must be relentless in our efforts to increase investor protection and public confidence in our work. We do this by providing greater insights, leveraging new tools and anticipating the needs of an evolving marketplace.

Specifically, I see three critical areas for the profession as we move forward:

1. Responding to the changing cybersecurity landscape;
2. Preparing for the future of the profession; and
3. Continuing our collective efforts to grow and nurture our talent pipeline.

First, from a cybersecurity perspective across the generations, we all agree that technology is transforming the way we work. Yet, while it brings new opportunities, it brings new risks as well.

Events like the Equifax data breach are a harsh reminder of the significant and far-reaching impact that just one incident can have on people and societies, and no organization is immune. Companies of all sizes – from the small family business in rural America to the large multinational corporation in large cities – are targets of phishing, ransomware, insider hacks and international attacks. And the fallout can be catastrophic.
The Ponemon Institute reports that the global average cost of a data breach is now $3.62 million, and the reputational risk is even more significant. Just one breach can ruin decades spent building customer trust.

That’s why cybersecurity risk management has swiftly become a top priority for company management as well as the boards of directors. Organizations must demonstrate that they are safeguarding personal information and that they can quickly and effectively respond to many cyber threats.

Earlier this year, the AICPA developed a reporting framework for cybersecurity risk management. The framework creates a common language to strengthen cyber risk programs among all sizes of companies, public and private, in all industries around the world.

Organizations and businesses can use the framework as a guide in creating and evaluating their cybersecurity risk management programs. It will help them assess controls, identify gaps and develop a robust response plan. And management accountants can lead their organizations throughout that process.

CPA firms can support companies’ readiness efforts by providing appropriate advisory services or ultimately use the framework as a guide to examine and report on whether an organization’s controls successfully achieve its cybersecurity objectives. And, with CPAs’ long history in auditing IT controls, no one is better positioned to help protect investors, vendors, consumers and businesses.

Our work on cybersecurity is a great example of how we are responding to market demands and evolving the profession to meet those needs. But there is so much more to do. What will the marketplace need from the profession in the future? How can we account for payments made in cryptocurrency? How will blockchain impact assurance services? How will data analytics impact the audit? How can we continue to enhance audit quality? And what does the evolving finance profession look like?

These questions underscore just a few of the most significant opportunities in the accounting profession. New technology may change the services we provide and how we deliver them, but it will not change the need for our services. In fact, automation will enable us the opportunity to extend and expand our service offerings.

Imagine a world where all transactions for a company occur on the blockchain, creating immutable information. Such a scenario would enable auditors to verify large amounts of routine data automatically, allowing them to focus instead on more complex transactions and controls.

My own organization recently launched a blockchain cloud service, and I know that other companies are doing the same – and, if not, are certainly considering their next initiative. While change can be daunting (and the new brave world of technology is no exception), we must
stand ready to embrace it. Already, we are exploring how to use the blockchain to support core services of financial reporting, auditing and tax.

At the same time, we recognize that there is an immediate need to identify standards and regulations surrounding the use of this technology. For example, while the IRS treats digital currencies like Bitcoin as property, CPAs and the businesses they support still need additional guidance on acceptable valuation and documentation, charitable contributions, retirement accounts and more. The AICPA is working on a letter to the IRS asking for such guidance, and we will continue to work to get the information our members and their clients or organizations need to comply with IRS rules.

Similarly, I was excited to hear that FASB is considering whether to develop accounting standards related to recognizing, measuring and disclosing digital currencies. These standards will help the profession remain a trusted resource for answers to questions like, “Is Bitcoin a cash and cash equivalent?” And, of course, such standards will also help companies provide more consistent information to shareholders and the public.

We know these questions are not easy to answer and they require deep thought and consideration. To aid this effort, the AICPA and CPA.com recently joined the Wall Street Blockchain Alliance, where the AICPA serves as the working group leader for tax and accounting. Our objective is to demystify blockchain for the profession and to drive basic utility of the tool.

We are also releasing a white paper next month with CPA Canada and the University of Waterloo Centre for Information Integrity and Information Systems Assurance to examine exactly how blockchain will impact auditing. Given the visibility of blockchain, we are working diligently to help the profession understand what blockchain is, what opportunities it presents, its implications and – very importantly – how we can protect the public interest. Another area that will and is impacting the profession is audit data analytics. When applied correctly, data analytics can transform the way we currently perform an audit, making it more effective and more efficient. That’s why, this month, the AICPA Assurance Services Executive Committee is releasing a guide that discusses the use of audit data analytics at a foundational level and provides examples of how CPAs can integrate them into the audit process.

The benefits of data analytics aren’t limited to just the financial statement audit. Where finance professionals used to spend 50% of their time on transaction processing and less than 7% on strategy, they can now primarily focus on strategy providing critical insights to the business. As a result, management accountants can influence their organizations’ strategic direction more than ever before.

We are also working to create a profession for tomorrow through our Future of Finance project. This rigorous, research-led initiative seeks to examine three key questions: What is the future of the finance practice? What is the future of the finance function? And what is the future of the finance profession?
Yet another way we are preparing for the future is through our Enhancing Audit Quality Initiative, or EAQ. EAQ maintains our commitment to the public interest by researching the factors driving audit quality and then using what we find in that research to develop programs and resources to support improvements in quality performance. We are looking at the issue holistically so that we can drive solutions to best protect the public, which – as a result – will keep decision-makers and other stakeholders well-informed.

This brings me to my final point. A big part of creating that dynamic profession is making sure it has the talent necessary to deliver its services and meet market demands. To do that, we must make sure our profession is attractive and full of opportunity for the next generation.

The makeup of the workplace is changing. In 2015, millennials made up more than one in three American workers. By 2020, Generation Z will make up 40% of the working population. These younger generations have different expectations and ties to technology than many of us did when we joined the workforce. Generation Z never knew a world without the internet. They don’t just like to use technology – it is part of who they are. We must create environments that provide the cutting-edge technology and services they expect.

How these younger generations view education is changing, too. Not all accounting and finance students come from traditional four-year universities. Increasingly, students are starting out in community colleges.

As many of you know, I attended community college for part of my education. I had already completed my bachelor’s and master’s degrees and was working full-time in IT. But I still had a goal of becoming a CPA, and community college afforded me that opportunity. Because of this, the AICPA’s outreach programs into that space are near and dear to my heart. For example, the AICPA is increasing scholarships and other resources to help community college students bridge the gap between two-year and four-year programs. These efforts will help open the world of opportunity that accounting offers to even more bright and talented future professionals.

Similarly, we also must extend our reach to those demographic and economic backgrounds that have been overlooked traditionally. To achieve that goal, the AICPA is working hard to develop and enhance the profession’s diversity and inclusion through better communication and awareness and a greater support of school-based programs – with one objective being to increase the number of minorities sitting for and passing the CPA Exam.

We also need to address the fact that a growing number of CPAs are looking to the corporate side of the profession. They want to develop the strategic thinking, business partnering and management skills required to be successful in business today. Our Chartered Global Management Accountant designation – or CGMA – is designed to do just that. And because strong management accounting supports strong public accounting, it really brings the profession full circle, allowing us to better protect the public interest by providing high levels of service in every single area.
In closing, we are definitely in extraordinary times where technology is a both an opportunity and threat at the same. Yet, I remain confident in our individual and joint initiatives. Together, we are working to address technological innovations, mentor new talent and ensure we are offering the skills and services necessary for a rapidly changing world.

We at the AICPA stand ready to embrace the evolution of the profession and make sure it is one that continues to enjoy the public’s trust.

Thank you again for the opportunity to speak to you today. The future is very bright, and I can’t wait to see the results of our efforts in the coming years.