

Inaugural Speech

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Changes in Latitude, Changes in Attitude

One of my favorite songs is “Changes in Latitude, Changes in Attitude” by Jimmy Buffet. The song is particularly relevant to my own life, and in recent years, to our profession. The first part of the chorus goes: “These changes in latitudes, changes in attitudes, nothing remains quite the same.”

Today, one thing that changes is that my good friend Ernie passes the torch of AICPA Chairman. Thank you, Ernie. Thank you for the help and friendship you have given me during the past year, *and* for your important role in shepherding this profession through these challenging financial times. I am honored by the presence of so many of our profession’s leaders, many of whom have been my role models and my friends. My sincere thanks to all of you for leading the way.

Of course I must take a moment to acknowledge my wonderful family. My wife Jeanine has shared me with this profession, and she understands better than anyone the satisfaction you have given me over the years, and why I am so excited about this opportunity to give back.

My daughter Kimberly is in the audience, along with my son Rob.

My path to becoming a CPA was not something I could have predicted in my early years. In fact, I wanted to be an oceanographer. I loved everything about the ocean and I still do.

My love of the ocean and sailing is reflected today in the letterhead of our firm, Harris Cotherman Jones Price & Associates. Our logo is a sextant. Once out of sight of land, mariners use the sextant to find their location. This enables them to plot their course and direction, ultimately ensuring safe passage.

As trusted advisors, we must know where we are and where our clients are, at all times. We must set a course around, and sometimes through, uncharted waters – which in many ways is where we are today.

I think back to the world of accounting my grandfather knew. Our world is vastly different. He was a lifelong member of the AICPA. He was CPA number thirteen in the State of Florida, and the fifth president of the Florida Institute of CPAs. He founded and led the largest CPA firm in St. Petersburg.

He lived in what seems today to have been a smaller, simpler world. His world had not yet seen the advancements in technology and the huge benefits and challenges an increasingly interconnected world would bring. He knew nothing about the lightning speed of today's business, or the incredible demand upon CPAs to serve as key business advisors throughout all kinds of crises. However, he did teach me a lesson that has stayed with me to this day. Like my friend Ernie, he had his core belief on the back of his business card, which I now keep on my desk: "Unless we are wiser today than yesterday, we must expect to fail tomorrow." Being wiser is what will enable us to master these changes in latitude that we confront right now.

Today, I want to focus on some of these massive "sea changes" –

- the globalization of business and our profession;
- the importance of sustainability in our economy and to our profession;
- the re-regulation of financial services;
- and the need to get more CPAs, especially young CPAs, involved in our profession.

As we look to the future, we must strive for consistency in our "global" attitude. Accounting is already global. Even those who work in the *smallest* CPA firms, the *smallest* companies or the smallest governmental or not-for-profit entities are seeing ramifications. We all know now that a global crisis demands global solutions. During my year as chairman, I will be asking you to think globally about the future of our organization, our profession, and about the most important issues we face.

One of the biggest international issues, of course, is International Financial Reporting Standards, or IFRS. We are now waiting for the SEC to either endorse or amend the roadmap the SEC released last year. We are eager for the SEC to set specific goals with a definitive timetable. The President himself has recommended that accounting standard setters make substantial progress by the end of 2009 toward development of a single set of high quality global accounting standards. This is in line with the Group of 20's pronouncements in London and in Pittsburgh earlier this year. Jim Kroeker, the SEC's new chief accountant, recently assured us that the SEC will, in the coming months, refocus on the proposed roadmap. Most recently, the SEC released its draft five-year strategic plan that indicated support for globally accepted accounting standards for public companies worldwide.

Yes, some disagree about how to meet that goal. Some believe that the Financial Accounting Standards Board should focus on converging U.S. GAAP with IFRS. Others believe the U.S. should set a specific date for U.S. public companies to adopt IFRS.

Although IFRS adoption in the U.S. had been in a holding pattern while the SEC dealt with fallout from the economic crisis and investment frauds, IFRS adoption in other countries marched on. One hundred and seventeen nations now require or permit the use of IFRS, including all listed companies in the European Union. Canada and India are expected to transition to IFRS by 2011, and Mexico in 2012. Japan has introduced a roadmap which could result in mandatory adoption in 2015 or 2016.

It's clear, International Financial Reporting Standards **are** coming to America. In today's global environment, we cannot have a loan or a stock offering accounted for in Boston differently from how it's accounted for in Beijing or Belgium.

We may not know the specific timeline for IFRS, but we do know this. The CPA profession must be ready.

The AICPA has been laying the groundwork for the inevitability, in one shape or form, of IFRS coming to America. For one thing, the CPA Exam will include questions on IFRS beginning in 2011. And the AICPA launched IFRS.com last year. This site provides members and the public with both an overview of IFRS and highlights of the differences from U.S. GAAP.

But we have more to do to get ready. We know that phase-in will take years, but are we adequately preparing for the needed education and training?

The point is, thinking globally is no longer a luxury. It is a necessity. Today, we all live in the same global neighborhood, and we all gain when we open the door to new solutions.

Probably the biggest question that needs to be answered is what happens with private companies? As you know, most companies in the U.S. are not SEC registrants. In fact, there are only about fifteen-thousand public companies in the United States, compared to millions of privately held enterprises. The International Accounting Standards Board, after a five-year study, issued IFRS for use by small and medium-sized entities.

So for now private companies in the United States can continue to prepare their financial statements in accordance with U.S. GAAP *or* some other basis of accounting, such as cash- or tax-basis. They can also use full IFRS, *or* they can use the new IFRS for small and medium-sized entities, provided that's acceptable to their users. The IFRS wave expanding across the globe can't help but push the issue of private company financial reporting to the forefront. What standards will private entities use and who will write them? The time has come to answer those questions. During this next year, we intend to make some serious headway on private company financial reporting. The input that you, our Council members, give at this meeting will be important as we forge a path forward.

Globalization is the ultimate change in latitude, but it has plenty of **local** repercussions that will demand a change in attitude. Let me give you an example.

Accounting for sustainability is the practice of considering the environmental and social costs of doing business when measuring the performance of an organization. It is another issue that has reached our shores. Sustainability adds two considerations to a company's traditional bottom line of economic viability – social responsibility and

environmental stewardship. This “triple bottom line” emphasizes the link between strategy and financial performance, and between changing behavior and decision-making.

The AICPA is involved in the “Accounting for Sustainability” project, founded by Prince Charles in 2004. Its members include accounting organizations from around the world, as well as private- and public-sector participants. Our leadership attended a meeting last year at St. James Palace. Earlier this year the AICPA joined with 16 of the leading accountancy bodies from around the world in subscribing to the Forum’s five principles. This involves collaborating with the Forum to drive thought leadership and incorporate accounting for sustainability into training and professional education. These principles support the fundamental concept of “connected reporting,” which seeks to link sustainability reporting with business strategy and financial performance.

Yesterday you learned about the AICPA Sustainability Initiative and our goals of increasing our international influence, providing thought leadership and providing resources to our members on sustainability.

As CPAs, we can play a critical role in this *exciting* new area. We can create the measures and provide the measurement, and furnish the proof, that businesses can be both profitable *and* environmentally responsible.

As a person who is concerned about his environment, I urge our profession to take the lead in integrating sustainability into financial reporting and embedding it into our day-to-day decision-making.

This whole concept presents tremendous opportunity for our profession.

Currently, there are no official rules on how an organization should report on sustainability. So here is my challenge to all of us.

To my fellow CPAs in public practice, let’s take the lead in developing guidance on how sustainability can be incorporated into today’s business planning, and how this can increase a company’s value.

If you work in business and industry, now is the time to make sustainability a key pillar in your business planning. Members in government will have an important role to play in sustainability as well. Whether you are involved in state or local government or working for a federal agency, now is the time to demonstrate leadership on this important issue. You could find huge cost savings for your communities, your states and our country.

Recently, I was on a plane returning from Puerto Rico, and I sat next to an engineer from one of the major bottling companies. He was talking about his company’s six-year effort on sustainability. He had traveled the world redesigning plants to reduce emissions and make them more energy efficient. He said to me: “The engineering world is all over this. I’ll bet it is huge for your profession.”

I wondered to myself if we were doing everything we could to get ahead of the curve. The opportunity for CPAs lies not just in measuring and reporting, but also in advising companies on strategies to reduce the size of their environmental footprint and developing systems to capture information related to sustainability.

Our clients and employers anticipate that sustainability will become an important part of their business. According to a recent survey of fifteen-thousand employers in seven cities, large majorities said they have a specific strategy or goal regarding environmental stewardship. *Newsweek* recently issued its own list of the “Green 500,” ranking America’s largest corporations in terms of their environmental performance.

Walmart is a major company leading the way in this area. It has made a commitment to cut energy use and greenhouse gas emissions and reduce waste at its stores. It also is requiring its vendors to disclose the full environmental cost of making each product they sell. Their ultimate goal is the development of a “Sustainability Index” that will be added to a new “green label” placed on every product Walmart sells.

Let me underscore here, the push to sustainability is not about government regulation or new laws. This trend is market-driven. Sustainability is about bottom-line business operations that are impacting the supply chain. CPAs, who work for businesses in a supply chain or who have clients where sustainability information is expected by others in the chain, must be engaged in this issue if we are to live up to our role as trusted business advisors who help clients and companies succeed.

Finally, to the academic community, I challenge you to learn everything you can about sustainability. Integrate it into your curriculum. I know of no textbook on sustainability. I challenge you: write one, because it is going to become a major part of our profession beginning now.

I realize that for CPAs this will require a real change in attitude. But when you’re in uncharted waters – and no one likes being there – we need to be leading the profession and business community on these winds of change.

As a profession, we have certainly seen our share of change in recent years and in recent months. This recession has changed all of us. According to the 2009 PCPS CPA Firm Top Issues Survey, retaining clients has become the number one concern of firms of all sizes for the first time since 2005, pushing staffing out of its top place. So we all know about significant changes to our business.

Fortunately for us, our president, Barry Melancon, has instilled in the Institute the concept that “change is good.” Re-regulation has become an everyday occurrence for us. At least a dozen new pieces of federal legislation have been introduced this year alone proposing enhancements to regulation of the financial sector. As the country’s trusted financial experts, it is our responsibility to offer our comments and our specific

suggestions on what we think is the right thing to do in those areas in which our knowledge and expertise can help produce better outcomes.

The AICPA believes that regulatory reform should enhance existing investor protections and address the systemic risks of activities by broker-dealers and hedge funds. In fact, shortly after this Congress was convened, we presented an eight-point regulatory reform approach to the new SEC Chair, Mary Schapiro. You will recall we presented them to you at the April Council meeting in Washington. The SEC has already adopted a number of these proposals.

I hope you will view this period in our history the same way I do. Regulations often emerge from crisis. We now have a great opportunity to influence the re-regulation of financial services and tax policy. The new regulations required to ignite and secure our financial footing are easily within the realm of our expertise.

Many of you may have heard me refer to the fiscal crisis in the past year as our *financial 9-11*. You may recall that while the first responders to the Twin Towers in 2001 were frantically trying to rescue victims, it quickly became apparent that they were unable to communicate efficiently and effectively with one another. The CIA, FBI, and myriad other counterterrorism units worked independently, causing confusion, and mistakes that permitted the terrorists to evade detection and eventually carry out their plot. In the years following 9/11, many of those issues were addressed. There is now much more interdepartmental cooperation, and much better communication. It is not perfect, but it is positive change coming out of tragedy.

What causes most problems? Lack of communication. What fixes most problems? Increased and better communication.

In the past year, we have experienced a financial 9-11. The mortgage industry imploded. Banks, insurance companies, and American car makers needed billions from the federal government to avoid collapsing. Millions of homeowners are defaulting on their mortgages and credit card loans, and no longer have jobs. It took something of this magnitude, bringing us to the brink of our country's financial collapse, to compel changes.

There are about a dozen organizations at the federal level that oversee the financial industry, and there are hundreds more at the state level. I think of all of them as the financial industry's "police force." They are now communicating with each other much better than they were a year ago, and they have to do even better. However, we must encourage our political leaders to act boldly. The financial world is so much different now from what it was in the 1930s when my grandfather was practicing. We need rules and regulations for financial institutions that balance their entrepreneurial spirit with their fiduciary responsibility.

About ten years ago I was working with a client who was writing a book called *The Journey Through Cancer*, and the lessons he shared have stayed with me. Dr.

Geffen, an oncologist, advocates a holistic approach to treating cancer patients. He says that the worst part of the disease is the fear caused by a lack of knowledge.

He discovered the tremendous restorative power that exists within patients who know the most details about their disease, and who use that knowledge effectively to fight their cancer. Knowledge is power, he concluded. Knowledge can restore the body. With knowledge, we can help people overcome their fear of this economy and with their finances in general. At its core, this is the goal of the Institute's extremely successful 360 Degrees of Financial Literacy program.

So how can we become more knowledgeable? Knowledge passed from member to member has always made this profession stronger. So too is taking advantage of numerous resources of the AICPA. Through its Web sites, the AICPA is educating its members and the world on reliable financial statements, clarity, financial reporting, economic crisis and financial literacy.

I also happen to think that remote or Web site learning, and communicating through social networking, can only take us so far. I am a huge proponent of face-to-face blogging. It's called talking to people. Notwithstanding the dozens of books I read every year, the more I interact with people, the more I learn. That's why I urge you, and those members in your states whom you talk to, to take advantage of the AICPA committees and networking groups.

Volunteering on committees puts you in the forefront of all the issues I've addressed today and makes you a better, more qualified, and more knowledgeable CPA. That's why I became involved in committee work more than 26 years ago. Working in a small CPA firm in Vero Beach, Florida, generally does not provide a lot of exposure to the world. My state society and the AICPA became the only networking organizations I needed professionally.

That brings me to my final observation. I've checked the bylaws. There is no gray hair or white hair or even hair requirement for membership on an AICPA committee. We need to find younger CPAs to volunteer for our committees. While I understand it may be difficult for those building a practice or a career to volunteer, let me suggest that the two are not mutually exclusive. I met Barry in the 1980s when we were young CPAs ... sorry Barry ... younger CPAs. The relationships, experiences, and the expertise developed during these years built our careers and reputations.

I was on an AICPA committee when I was 33, and I truly believe that having young people under 36 on committees is vital for our profession's future. Young CPAs are the ones who will be most impacted by such issues as globalization and sustainability, and they will become leaders on these issues as well. So this year I made it my goal to have someone under the age of 36 appointed to every AICPA committee.

This is an area where Ernie Almonte has had some tremendous success, in helping to groom a new generation of CPA leaders. Ernie's "baby," of course, is the

Leadership Academy. A few months ago the AICPA held the Academy's inaugural event in Chicago. Twenty-eight CPAs under the age of 36 from around the country gathered for three days to receive guidance and mentoring from some of the profession's best and brightest. Ernie, I want to commend and endorse the Leadership Academy started on your watch. You can be sure that it will receive an equally strong commitment from the AICPA during the next twelve months and beyond.

I should also point out that last year 66,000 young people graduated with accounting degrees, the most in our history. So we are moving in the right direction, but we must look for more opportunities to engage and train as many young CPAs as possible, through the efforts of the AICPA and the state societies. Many states have created their own leadership academies and I think that is great that is what is needed.

I can't adequately describe all the ways I have been blessed by this profession and by this organization, but I can tell you that getting involved was the best decision of my professional life. From the time I was the youngest president of the Florida Institute of CPAs at the age of 36, through years of committee work and as Vice Chairman of the AICPA, I have professionally grown and have been continually impressed with the AICPA and with its members.

So my goals as your chairman are simple. I want our profession to embrace change in this economic environment and continue to learn and grow so that it will thrive. I want the CPA to continue to be the trusted adviser and become a visible leader in sustainability.

Changes in latitude are occurring every day, and as CPAs, we must adjust with the best possible changes in attitude.

Thank you.