Meet the Future of the Profession

Communication Skills
Learning Styles
Online Education
In order to explore how young CPAs will influence the future of the accounting profession, The CPA Journal invited several individuals in the early stages of their careers to share their ideas and opinions at a lively roundtable discussion at the NYSSCPA's offices. The topics covered included education, work-life balance, the perception of accountants, the impact of technology, mentoring and networking, and the value of the CPA designation.
In order to explore how young CPAs will influence the future of the accounting profession, *The CPA Journal* invited several individuals in the early stages of their careers to share their ideas and opinions at a lively roundtable discussion held on June 25, 2014, at the NYSSCPA’s offices. The topics covered included education, work-life balance, the perception of accountants, the impact of technology, mentoring and networking, and the value of the CPA designation. The panelists included Rumbi Bwerinofa-Petrozzello, a controller at TGM Associates; Michael Durant, an aspiring CPA pursuing his master’s degree in taxation at Baruch College; Jordan Frey, a senior accountant in EisnerAmper LLP’s private business services group; and Somya Munjal, founder of CPA for the People and Youthful Savings. *CPA Journal* Editor-in-Chief Maria L. Murphy moderated the roundtable. The following is an edited account of the discussion. Watch a behind-the-scenes video at http://www.cpaj.com.
The State of the Profession

Murphy kicked off the discussion by asking panelists why they had decided to pursue a career as a CPA. “I’m very entrepreneurially spirited,” Frey said. “I really enjoy learning about each business I work with—what they do, how they operate. I became a CPA because that is our main role: we’re a trusted advisor. We look at the business. We make sure everything is running properly. And we help them out every single day with every aspect of the business.”

Durant cited similar reasons: “I got exposed to the profession in high school, and I learned how businesses use the bottom line to move themselves forward. I like the idea of looking at a business and understanding how it works, and then developing a strategy to improve it. One of the things I tell the high school students that I teach financial literacy to is that being an accountant is one thing, but being a CPA is the best of the accounting field, and that’s why I chose to pursue the designation.”

Bwerinofa-Petrozzello added: “There is versatility to being a CPA. We have this qualification that is necessary in every aspect of anything that has to do with money—business, government, nonprofit. It doesn’t matter what you are doing, you have to deal with money. You find that people usually have to specialize in a certain aspect of business, but one of the wonderful things about being a CPA is that you can move around from one industry to another. You can go from working in private industry to working in public industry to working in audit, and you are still a CPA.”

“I just really liked the ethics associated with being a CPA,” Munjal said. “I really believe in money management, because where there is money, sometimes there can be not-so-great ethics. I definitely appreciate the ethics portion of the CPA exam and really having that principles-based eye when it comes to business. I worked hard for that in my own business, so I’ve grown to really appreciate it.”

Murphy asked whether the profession is doing enough to continue to grow and to ensure that the public recognizes the value of the CPA license. Munjal commented, “We’re seeing the wealth gap increase. We’re seeing that money is not as available to younger people as it once was, and there are not as many jobs. So I think there might be a big need for our profession to grow by default. I read this scary article in the Economist that talked about how accounting was a career that would be limited the most, because TurboTax and all these online platforms are taking the need for CPAs away.”

“What I’ve found is that technology makes people believe that they don’t need an accountant—but real life shows them that they do need a CPA,” Bwerinofa-Petrozzello said. “Last year, through the NYSSCPA, I went to Coney Island to do volunteer work with people who had been affected by Hurricane Sandy, and it was unbelievable how many people had started a business and weren’t making money and didn’t file taxes, or they decided not to incorporate and now their personal assets were at risk of being taken through their business. So there are various things that people don’t think about. They think, ‘I can put all my numbers into this machine. I don’t need to know about debts and credits or about assets and liabilities because my software will do it all.’ But what people find out the hard way is that you have to understand what’s going on, not just put the numbers in. That’s where the need for the profession comes in.”

“You’re someone to be relied on,” Frey said. “That’s the definition of a CPA. It’s very important to have trust in someone, and trust goes a long way.”

ABOUT THE PANELISTS

Rumbi Bwerinofa-Petrozzello, CPA/CFF, is a forensic accountant and controller at TGM Associates with previous experience in both the public and corporate arenas. She publishes Figuring Financial Forensics; at http://www.TheFStudent.com, where she discusses financial forensic issues. Bwerinofa-Petrozzello serves on the NYSSCPA’s Litigation Services Committee and is the president-elect of the Queens/Brooklyn Chapter of the Society. In 2014, she was inducted into the NYSSCPA’s Young Leadership Circle, a program that aims to identify and develop the organization’s next generation of leaders. In her spare time, she is a long-distance runner and completed the New York City Marathon in 2013.

Michael Durant is an aspiring CPA currently pursuing his master’s degree in taxation at Baruch College. He was featured in the NYSSCPA’s 2012 “Why I’m a Member” campaign and has been a member of the Society since 2011. When not working or studying, he spends his free time serving his community. He serves as cochairman of the advisory board for the Bronx School of Law and Finance, a group dedicated to the professional development of inner-city youth. He is also engaged in community outreach to promote financial literacy and entrepreneurship education in schools.

Jordan Frey, CPA, is a senior accountant in EisnerAmper LLP’s private business services group, providing services to a wide variety of clients from entrepreneurial start-up companies to large privately held companies, with particular experience in the technology, software, marketing, and service-providing industries. His experience includes financial statement preparation, tax preparation and planning, and outsourced controller and CFO consulting. He guides clients with the necessary tools and support to help them grow. Frey is also the chair of the NYSSCPA’s Young CPA Committee for the Manhattan/Bronx Chapter.

Somya Munjal, CPA, CFE, has a master’s degree in accountancy from Northern Illinois University and an MBA in international business from John Brown University. She started her career at Ernst & Young LLP, then worked for several large corporations, small businesses, and startups, both in the United States and abroad. Munjal is passionate about money management as a tool to live life fully and is committed to educating people about their finances. She began her own CPA services, business consulting, and social venture firm, CPA for the People, and she is also the founder of a social enterprise called Youthful Savings, which seeks to empower the next generation with financial education products and entrepreneurship training.
“The CPA designation is so much more than the day-to-day stuff,” Munjal agreed. “It’s thinking deeply about the ‘why’ behind each number. There might need to be a push in letting people know that the CPA designation isn’t just about number crunching. It’s actually understanding a financial statement and there are all these different questions that you have to ask; it’s an operational role more than anything, and I think if we can advertise it that way, we can really get somewhere.”

She noted that, in the wake of the most recent recession, the nation has seen an increase in entrepreneurs, and “when you’re an entrepreneur, you really have to manage your operation, so I think a cool way to show the need for a CPA would be to tie it in with the entrepreneurial generation.”

Perception of the Profession

The discussion turned to how CPAs are perceived by the public and portrayed in the media. “Getting the public to understand the prestige of the certification, of being a CPA, is very important, because if it’s not given the weight that it has and if people don’t appreciate how difficult it is to become a CPA, then people coming out of college may not consider it,” Bwerinofa-Petrozzello commented. She noted that most people associate CPAs primarily with taxes, even though a lot of CPAs do very different work. In addition, she noted that getting a CPA goes beyond obtaining an undergraduate degree but does not require a graduate degree, potentially leading CPAs to suffer in comparison with those that have a law degree or PhD.

“I think that increasing awareness of the profession needs to start with even younger individuals than college students,” Durant said. “My students are given a choice of a law academy or finance academy and they immediately move to the law academy because they’re familiar with Law and Order and all the cop shows on TV. CPAs don’t have any exposure.”

“Once in a while they have a forensic accountant on Law and Order,” Bwerinofa-Petrozzello noted, “who is always the most boring person ever.”

“That used to be the definition of a CPA,” Frey said. “You just sat at your desk all day long. Now, we’re different.”

“People who are CPAs are doing interesting things,” Bwerinofa-Petrozzello agreed. “There are a lot of people in the FBI who are CPAs because nine times out of ten a crime involves money, so you have to understand money to solve it. The world is run on money—if you don’t understand money, how far are you going to get?”

“The CPA profession is an underrated profession,” Munjal said. “How many CPAs are there in government? The budget is messed up.”

“Government is full of lawyers,” Bwerinofa-Petrozzello commented. She noted that the head of the SEC has traditionally been a lawyer. “People just assume it has to be a lawyer who runs the SEC, but it doesn’t have to be a lawyer. Even the person running the Division of Enforcement is a lawyer. I don’t know how much they value the CPAs who can understand how the numbers work, how the books work, how to follow money, how to follow an audit trail. If you are minimizing that, then how are you going to catch the people stealing the money?”

THOUGHTS FROM LESLIE SEIDMAN
Former FASB Chairperson and Current Executive Director of Pace University’s Center for Excellence in Financial Reporting

Over the 30 years I have worked in the accounting profession, I have been an auditor, a corporate accountant, a standards setter, and now I am a corporate director and an academic. I have grown to appreciate the truly global nature of business, as well as the need for accounting and auditing to keep pace with the ever-changing business and economic environment. Developments including cross-border commerce, the global convergence of accounting and auditing standards, the Internet and real-time news environment, and Extensible Business Reporting Language (XBRL) have profoundly changed the way companies do business, the way investors receive information, and the way accountants prepare and audit financial information and systems.

Accounting is often described as the “language of business.” Accountants play a key role in communicating the results of a company. That requires solid technical skills, but it also requires “soft skills,” such as the ability to communicate clearly and concisely, and a strong moral compass to report the results in a neutral, unbiased way—to tell the bad news as well as the good news. Investors count on accountants to tell it like it is, using language that they can understand. Warren Buffett, the legendary investor, has become famous for his candid and insightful annual letter to the shareholders of Berkshire Hathaway, in which he reflects on the company’s performance as well as the risks and opportunities for its future. We should embrace that attitude and candid communication style in corporate disclosures and other discussions of results and the judgments involved.

No one can predict how the economy will change or how business practices will evolve in the future, but accountants must have intellectual curiosity and a willingness to learn and embrace change. In addition, they need to participate in discussions about business developments. It’s key to remain abreast of such issues—whether it’s Bitcoin, new legislation, or political unrest affecting the flow of currency—and constantly consider how it might affect a company’s financial reporting or its financial statement audit. With advances in technology, such as e-mail, social media, and webinars, it might be possible to conduct business virtually, without ever leaving your desk. But there is no substitute for meeting a person and having a face-to-face conversation. Electronic communications are more likely to be misunderstood, and they do not offer the same opportunity to build relationships and trust.

Of course, it is necessary to use technology to its fullest advantage in order to work as efficiently as possible, especially in our global economy. But try not to let technology substitute for human interaction; every in-person conversation can lead to a more informed decision, a stronger relationship, and a better insight into your work environment and where you might want to go next. There really is something for everybody in the CPA profession—and there’s always something new to learn. Keep your eyes open, try new things, and enjoy the challenging yet fulfilling career that you have chosen.
“Politics is a game of persuasion,” Munjal said, “and you learn that in law school. It would be interesting if the accounting profession could instill that a little bit and get really well-rounded people to become part of the profession.”

“Most CPAs are rules based—GAAP compliance, tax law. For example, a lawyer challenges a case, but a CPA in the field has to figure out compliance and make sure everyone’s complying properly,” Frey said. “There is no debating, but you could debate or challenge certain issues. The technology is there and it can help guide us, but I think we can really think outside the box as CPAs.”

“Even with compliance, for example, you go to an ethics sessions for CPE, and people debate whether behaving a certain way with a client is ethical, and what you should do when a client approaches you and asks you for something,” Bwerinofa-Petrozzello stated. “As our world evolves, our profession evolves as well. So these ethical discussions will be especially important in light of developments like virtual currencies, credit cards, and international laws.”

**The Role of Education**

Next, Murphy asked panelists whether the courses they took in college prepared them for their careers. “I think there was more I could have taken to expose myself to different fields in accounting,” Durant said. “I took five classes; three of them were on preparing financial statements, and then I took my tax class and my IT class, and those really exposed me to different sides of accounting. That’s what kept my focus.”

“I think my classes did an amazing job of preparing me,” Munjal commented. “This is a technical job, so the classes I took were really technical. Every single class that I took prepared me for the different jobs I’ve had. I’ve been fortunate enough to go back to my professors and continue asking them questions. I don’t think my education was wasted and the ROI [return on investment] of an accounting education is huge. I didn’t go to Harvard. I didn’t go to Stanford. I went to Arizona State University, for example, is a great backbone. You learn the ROI might not be as high, because you

**THOUGHTS FROM PHILIP WHITMAN, CPA**

President of Whitman Business Advisors LLC

There has never been a better time to be a young CPA. The future of the CPA profession is filled with opportunity. With a disproportionate share of baby boomers in the profession, there is an inheritance just waiting for the young entrepreneurial CPA. But what does it take to make it as a CPA? The economic challenges that began in 2008 and continue for many caused CPA firm partners to take a hard look at their portfolios. Many decided to remain for much longer than originally planned, resulting in a longer path to partnership for young CPAs. For students graduating in 1984, the typical path to partner took 12 years; today it’s in the 15- to 16-year range!

There seems to be a tremendous skill-set void among the talented professionals within CPA firms: the ability to develop business. This is not taught as part of the college curriculum, yet it is a much-needed skill. In the past, firms needed workers to churn out tax returns and audit financial statements. Many “soft skills,” such as business development and networking, remained on the back burner. Firms typically had one or two partners who were superstar networkers, so there was no need for full involvement by anyone else.

Before 2008, anyone with a CPA license could write their ticket and grow with their firm or transition to a new firm. Now, even as the competition for talent has increased, firms have become far more selective. The big question, at least at the partner level, is whether one has a big enough “book of business” to cover the cost of compensation. At the entry level.

Work-life balance is also very different today. I can recall conversations in 1987 with my colleagues at a large international firm, where I shared how I had worked 42 days straight and had started the previous day at 7 a.m. and did not conclude until 3 a.m. the following morning. We were proud of this. But today’s young CPAs are so much more in tune with work-life balance.

For the past three years, I have been fortunate enough to present at the NYSSCPA’s NextGen conference, where I have surveyed participants on their work-life balance. More than 80% of the participants believed that their life and work were out of balance. They felt overwhelmed with everything that they needed to complete in a 24-hour period. Couple that with the fact that they see partners scrambling to meet deadlines, and it is no wonder why there is such a significant movement of individuals out of public accounting during the first four or five years. When asked about desired additional perks, 74% of those surveyed picked one extra week of vacation as either their first, second, or third choice. It is clear that firms need to do a much better job with work-life balance if they want to grow these individuals into future partners.

Firms also need to move toward a coaching model and away from the mentoring programs of today that “marry” two people up together. Partners, managers, and supervisors need to adopt a positive attitude toward development of younger professionals. Partners need to see themselves as coaches for the younger generation. We cannot just throw these folks into the fire and tell them to do everything the same as last year; instead, we need to guide and develop our younger workers.

The one piece of advice I would give to young CPAs entering the workforce would be to strengthen your social networks. All the people that you went to school with—connect with them on LinkedIn. Go to networking events. Get involved in charitable causes. The ability to generate business through your network is absolutely critical and will set you apart from the rest of the crowd.

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might be devaluing the education sector on the lower end. Accounting is such a profit-able degree to have. You have to love what you do, but you also have to survive.”

Murphy then asked panelists to share their thoughts on how important it is for CPAs to be able to communicate in writing and via public speaking. “I worked in audit, and when you’re dealing with your clients, you need to be able to communicate with them, even when doing something as simple as writing systems notes,” Bwerinofa-Petrozzello said. “When you’re explaining how the system is supposed to work, you talk to your client about what is going on and they tell you to write it in a way that can be put in a permanent file that anyone can pull out and read the following year and the year after that. If you are a good tax professional and you want to be the kind of person that your clients tell their friends about, you have to communicate. Nine times out of ten, we’re talking to people who don’t do what we do, so you have to explain what you’ve done in English and not in accounting-speak. I don’t know if you learn that in college. But I do know that once you start working, you have to develop that skill. The age of the accountant locked up in an office is long gone; you have to be able to talk to people.”

“You also need sales skills,” Munjal noted. “You have to sell yourself in an interview. If you’re a partner in a firm, you’re only going to stay a partner if you bring in new business.”

“I don’t think it’s in the curriculum, but it’s important,” Bwerinofa-Petrozzello said. “If it’s not part of the core curriculum, then maybe it should be part of your electives.”

“That’s the route I took,” Durant explained. “In my first accounting class, the professor told us about a project he was working on, naming forms and section codes, and no one understood what he said. Then, in a couple of sentences, he

What do you think the future holds for the accounting profession, and what role will young CPAs play?

I am very optimistic about the future of the profession. Increased globalization of business and the huge growth in information due to technology will enhance the role played by CPAs. Accountants in industry are increasingly becoming strategic advisors, rather than just record keepers, and are responsible for the privacy and security of financial and other data. The quantitative and analytical skills accountants have developed are so useful in a world where being able to extract information from “big data” will be increasingly critical to the success of a business. Young CPAs, in particular, are likely to bring technological skills to the work environment that will help with data analysis and other emerging roles. Auditors are increasingly being called upon to use these skills to fight fraud, money laundering, and terrorism, as well as to assess compliance with new reporting requirements like sustainability.

What kind of students should consider majoring in accounting today?

There is a perception that accounting requires extraordinary math skills, but as long as you can do basic algebra and statistical analysis, you can succeed in the profession. What is really needed is the ability to consider issues from many perspectives, weigh alternatives, communicate decisions, and work with a wide variety of people. Students who are able to see the “big picture” of an issue and clarify its critical elements are ideal. Those who are able to take technical issues and explain them to others in a clear and comprehensible way have a valuable talent.

How have the expectations for young CPAs changed since you entered the profession?

When I entered the profession in the mid-1980s, there was still a perception that technical skills were all that mattered. There was less of an emphasis on understanding business strategy, oral and written communication, and even on business development and marketing. Now, you need all those things for a successful career. Some things have improved dramatically for young CPAs. While there is still a busy season, there is a much stronger consideration of work-life balance. We have also seen opportunities open up for women within the profession, though there is certainly still room for improvement at the top.

How could university programs that prepare students for a career in public accounting/auditing or industry be improved?

While there is such a range of institutions, it is hard to generalize. I have a particular interest in technology and am disconcerted by how few programs equip students with strong and deep IT skills. This is one area where almost every program could improve. In addition, accounting students should be better trained with “people skills,” such as conducting client interviews and proper workplace etiquette.

What suggestions do you have for students entering the workplace?

Know what matters to you. Students should consider their personal values, the nature of the work they will do, the skills they want to develop, a firm’s location, the opportunity it gives them for career advancement, salary, and work schedule. I advise all my students to consider the particular business sector or industry that interests them most and use that to help focus their efforts. For example, if you love music, consider which firms audit big record companies, symphonies, or bands. If you are interested in fashion, consider which firms audit the big fashion houses.

What advice would you give to young CPAs entering the workforce?

First, act like an adult. Be on time and be polite. Don’t have your headphones on all day. Don’t drink to excess at business functions. Clean up your language. Filter what you post on Facebook and Twitter and Instagram. If you want the responsibilities and rewards of adulthood, you have to earn them.

Second, you are responsible for your own success. Take classes to continue to develop your skills in IT, writing, a foreign language, or even business. Watch TED [Technology, Entertainment and Design] talks. Read books and blogs relevant to business and personal development. Listen to podcasts that improve your knowledge in your field. Take advantage of opportunities at work when presented with them.

Finally, be confident and don’t sell yourself short. So many students come to me saying they are worried they will be expected to remember everything from their classes. I remind them that a typical course involves 45 hours of in-class time, and they will get about that much skill development every week on the job. Although you need the basics, the specific technical knowledge will come back very quickly when needed.

THOUGHTS FROM CYNTHIA KROM, PHD, CPA
Assistant Professor of Accounting and Organizations, Franklin & Marshall College

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THOUGHTS FROM JOSEPH C. DIBENEDETTO, JD, CPA, CMA
Professor of Accounting at Pace University

What do you think the future holds for the accounting profession?
The profession still serves a vital function. Some see that function as advisory, but I see it as the voice of the public. Without the CPA profession, the public would be subject to the whims of business and government. The attest function—and its idealistic characterization of independence—stands as a last barrier against abuses by businesses. It is not perfect, but I know of no better method. The practice of the CPA, especially in quality smaller firms, provides a layer of professional help for small businesses and individuals in every area of compliance, from business filings to ordinary tax return preparation. Technology might change, but the profession’s aim to serve the public remains the same.

What kind of students do you recommend consider majoring in accounting today?
One of the positives of the CPA profession is that the job can be taught; one need only be willing. If I find a student who is not afraid of hard work, I encourage that student to try accounting. Some claim that accounting is tedious, but in 45-plus years of doing it, I still am never bored. A good first experience in an accounting classroom goes a long way toward convincing a student to continue in that field, and a bad experience does just the opposite.

Do university programs sufficiently prepare students for their career?
Current university programs are geared more toward satisfying accreditation standards than preparing students for a career. Learning accounting is part technical and part personal. The technical part can be introduced in the classroom, but it requires real world experience, such as through an internship, to be fully learned. The personal part can be learned through a true liberal education curriculum. Reading and writing are still needed skills. Interpersonal relationships—not just Facebook postings—and the complete college experience are probably more important than memorizing the tax code.

How could these programs be improved?
First, they should allow students to take accounting earlier in the academic careers. A five-year program with ten semesters of accounting, rather than the current eight semesters (no accounting in the first year), would allow for better absorption of its technical side. Second, they should limit internships to fourth- and fifth-year students, and then for no more than 15 hours per week. A student’s job is school, not working for a CPA firm; a regrettable recent trend has been to treat second and third-year interns as quasi-full-time employees. Third, they should require more global skills; languages and travel will last forever.

How have the expectations for young CPAs changed since you entered the profession?
When I started teaching accounting, students took up the subject to get a job. There was nothing intellectual about it, just pragmatic. It was not uncommon for the best students to receive multiple offers from the “Big Eight” early in their last year of college. The firms were competing to get the best of the best. Today, many students come to accounting more as a default. The accounting student self-selects. If they like it, they stick with it; if not, there is always management.

The young working CPA wants faster gratification than the graduate of decades past. Once established, the young CPA expects partnership sooner and is more willing to change jobs just for the next salary bump. This is not a surprise—things move much faster in 2014 than in years past.

What suggestions do you have for students entering the workplace?
In selecting a firm, my best piece of advice is to keep your options open. Do not accept a job with the firm that offered you the internship—in fact, accept the internship with the firm you are least likely to want to work for, and then you will be free to choose the best offer from the remaining firms. Too many students are so thrilled by that first offer that they fall in love with the firm, and all the other relevant considerations fall to the wayside.

In addition, it is important for young CPAs to remember that being in this profession is not all that you are. I might paraphrase Forrest Gump’s momma and say: being a CPA is like a box of chocolates; you never know what you are going to get.
because he didn’t trust the machines. But it’s not the machines; it’s you working with the machines. Within certain aspects of financial work, you’re working with huge amounts of information, and now we actually have the technology to sort through things in hours where before it would have taken weeks or months to go through. NYSSCPA former president J. Michael Kirkland said that we have to be ahead of the curve; we can’t be following. You have to be good. Technology is intimidating for many people and it’s an extra knowledge in addition to what we already need to know to be CPAs, but it’s the only way to do it. Especially in New York—you can’t be in New York and not be first.”

Embracing technology is one thing that more experienced CPAs can learn from the younger generation, Bwerinofa-Petrozzello said. In her mind, younger people are more willing to dive right in and make mistakes. Her parents’ generation was afraid to make mistakes because they used to be almost irreversible; today’s generation knows there is an “undo button.”

“CPAs are the most risk-averse people out there,” Frey agreed. “You have to sometimes just be open to trying new things. The world is evolving right now. Technology is here; we have to embrace it and use it. You have to take that risk to learn something new, and you’ll be successful after that.”

“You have to go with the flow and be adaptable,” Munjal added. “We’re considered the ADD [attention deficit disorder] generation; we have social media up while we do an audit or taxes. We can work and listen to music—that’s a generational thing, and people don’t always get it.”

**Mentoring and Networking**

The discussion moved to the importance of mentors and networking. “I had lots of mentors in just about every field I can think of,” Durant said. “I like that a lot of my mentors aren’t in accounting, aren’t in finance, and aren’t CPAs at all, because that is where business will come from. A lot of my mentors are entrepreneurs or sales representatives for their company. There are a lot of lawyers who are my mentors, a lot of bankers, and then a lot of people who just run everything from a car garage to a guy who has several food trucks. It’s interesting to get their perspective on the world and the profession.

I ask them, ‘What does your accountant do for you?’ and understand what they expect from a CPA.”

“I’ve been fortunate to have some really great bosses,” Munjal commented. “I am a firm believer in compassion. I’ve been very fortunate to find some very compassionate leaders and I hope to be one of them as well.”

“Mentors are very important,” Frey stressed. “I had a conversation with my mentor today about my career path and where I’m going. I look up to him because he has more experience; he’ll give me his input on what he went through in a similar situation. But I might have a different philosophy, and we can talk about it. Mentors are your guidance tool. You have to really trust someone to make sure they’re doing the right thing for you.”

“I recently signed up for a mentor program with the AICPA as part of the certification in financial forensics [CFF] program, and I think that’s my first official CPA mentor,” Bwerinofa-Petrozzello said. “It’s been really great to bounce ideas off of him.”

Murphy then asked panelists if they could share some tips for networking effectively. “You have to just be open,” Munjal replied. “You have to be open to every possibility and relationship—you never know how it can change you, hopefully for the better.”

“It’s very important, being open and meeting people,” Frey said, noting that it was the best way to build relationships. “You never know what will happen.”

“I’ve also found value in targeted networking,” Bwerinofa-Petrozzello added. “I wasn’t having the conversations I needed to have, so I actually sat down and looked at associations and areas that I am looking to pursue. Within the NYSSCPA, I joined a committee and attended CPE events, and from that I met people, and that has helped me a lot.”

“Every event is different, and you have to know your focus,” Frey advised. “But when you build relationships, you can ask for or give people favors, even if it’s not in the same industry. You never know what can develop down the line.”

Munjal noted that a good tactic was to ask others how you could help them, rather than immediately expecting them to help you: “It’s a good thing to be able to help people, and you never know what will come back to you. When you give, you receive.”

“Current events are something else that people forget [as a way to network],” Durant said. “I knew nothing about soccer two weeks ago. But I knew that people at events would most likely be talking about the World Cup, so I downloaded some podcasts to get a general gist—who was

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**THOUGHTS FROM MICHAEL F. ROSENBLATT, CPA**

President of the Quest Organization

As a seasoned CPA, prior member of the NYSSCPA board of directors, and president of an executive search and consulting firm for more than 25 years, I have met, interviewed, counseled, and placed many young CPAs. For young CPAs entering the workforce, I highly recommend spending no less than two to five years in public accounting prior to considering other career alternatives. That experience provides an unparalleled foundation for training in technical accounting skills, computer skills, writing and communication skills, and organizational and interpersonal skills. In addition, young CPAs should think carefully about which industries interest them and should interview with CPA firms that have a strong expertise in those areas of specialization (e.g., hedge funds, healthcare, manufacturing, nonprofits).

It is essential for every young accountant to become a CPA; it has become the minimum accreditation required by most employers, both in public accounting and in industry. The profession of the future will continue to need talented CPAs, due to the ever-changing and complex accounting, reporting, and tax rules promulgated by the government, the SEC, FASB, and other regulatory bodies. Regulators will continue to develop additional rules to protect individuals and investors, and it will be virtually impossible for companies to keep up with them unless they utilize the expertise of CPA firms. This presents additional opportunities for young CPAs who have an interest in risk and regulatory compliance, one of the fastest growing segments of the profession.
good and who wasn’t—so I could join the conversation and have something to say.”

“I have found that a lot of discussions are just amazingly invaluable,” Bwerinofa-Petrozzello said. “I go to the NYSSCPA Litigations Services Committee meetings, and often someone will bring up something they came across at work or an issue they read about, and maybe they feel one way about it and want to bounce it off other people. You can read about things, but to be able to have the conversations, I really have found that those conversations are priceless.”

The discussion then turned to the question of how CPAs learn on the job. “I’m someone who learns by doing,” Munjal said. “Firms that allow flexibility for their staff do very well—to move from audit to tax to valuation—that is a big way to keep young CPAs engaged and help them learn. If you put me in a classroom, I’ll pick up some of the words, but I need to do it.”

“That’s part of being a CPA,” Bwerinofa-Petrozzello agreed. “You can’t be a CPA without the experience. You need the hours at work.”

“Tying back to the question about education, you get a backbone of education and then you learn on the job,” Frey noted. “At my firm, EisnerAmper, we have CPE classes in-house. Pretty much every single day, there’s at least one class that I can take. I check the calendar to see what would interest me each month. I deal with many other CPAs; if they’re at a smaller firm, they don’t have anything in house. The NYSSCPA has a lot of classes. It’s important that we go out and learn. You can look up information online too, but it’s always good to hear someone’s expert opinion.”

**Looking to the Future**

Murphy asked the panelists where they saw themselves professionally in the next 10 years, and how they planned to achieve their career goals.

“I just want to grow as many businesses as possible,” Munjal responded. “You have to build opportunities for people—not just in America, but internationally. I really believe in the wealth redistribution concept, and I think that if you can create businesses, you can do that.”

“In 10 years, I’d like to be partner one day at my large firm,” Frey said. “Every day you have to do something to make that happen. You can’t sit by on the sidelines. For example, I may be an expert in preparing something, but I can’t sit there and prepare it from nine to five and then go home. If you go out and utilize your skills and help someone, it can help you grow.” Frey added that his firm is very flexible and affords a nice work-life balance.

“My passion right now is forensic accounting, and in 10 years I would love to be a forensic accounting powerhouse and expert witness,” Bwerinofa-Petrozzello said. “I want to be able to bring together all the variety of subjects you need to know about in order to do your job well. If you don’t understand that bigger picture, you can’t even begin to understand whether the numbers are right or wrong. How can you create an expectation of what things are supposed to be if you have no idea what’s going on?”

“I’m definitely going to be a CPA by then,” Durant said, noting that he would like to be on a partnership track in a large, international firm in the area of mergers and acquisitions. “I also always wanted to own my own garage like my grandfather did,” he continued. “I grew up around trucks and cars, so that might be something I do on the side.”

Murphy next asked panelists what they think the future holds for the accounting profession and what role they see today’s young CPAs playing in that future. “I really hope that our profession can seep into the government a little bit,” Munjal commented. “For every dollar we earn, we give about 40% to 60% back to the government, and I’d really like to see that money managed at a higher level so that we, as citizens, have more. It’s really unfortunate that that’s not the case right now. That’d be my biggest wish.”

“One of the things that people talk about a lot with respect to the education system is that, although you have a lot of subjects, people don’t learn about money. Michael [Durant] here goes to teach high school students about financial literacy—you never learn that in school or college,” Bwerinofa-Petrozzello added. “Then the great recession hits and people panic. And it’s because people don’t learn about money.”

“Capitalism is based on spending, GDP is based on spending, retirement is based
on spending, stocks do better if consumers spend,” Munjal said.

“Companies as well,” Bwerinofa-Petrozzello stated. “They always have to grow in order for people who own stock to be happy. One of my hopes for the future is a greater emphasis on the understanding of personal finance, before you even get to all the issues of public finance.”

Frey said that one related issue he sees in his firm is that when clients have someone other than a CPA—like an investment advisor—prepare their books or their tax returns, and then the firm’s CPAs look at it, they can see that it was not done correctly:

“As a CPA, you’re held to what you do; you’re signing off on tax returns. You’re saying, ‘This is done properly.’ You’re saying, ‘I believe in this product.’ That’s how you grow, by being trustworthy.”

“What you’re saying is that this is the voice of reason,” Munjal said. “That’s really necessary as we grow—to be reality focused. One thing I learned early on is that we’re money managers, but we’re not in love with money. I’m not going to be put in a situation that takes away my ethics. The revenue growth of my firm is not as important as the quality of my firm.”

“I would just like the CPA designation to become a go-to-first designation,” Durant said. “And again with education and communication, those are the things I want to see happen.”

“The CPA—you have to really build a relationship,” Frey said. “I think the best example I have is one of our clients and one of our partners. He’s retiring soon, and the client says, ‘I’m married to you; you can never leave.’ You’re in a partnership from day one. You’re together and you grow with each other.”

“Clients who are older maybe had a greater respect for the CPA designation, and nowadays I don’t know if people truly understand what a CPA has to know to be a CPA,” Frey said. “This is why people go to non-CPA tax preparation storefronts and hand over their financial information.”

“But then you’re not getting the value added,” Munjal said.

“That’s what comes with a CPA,” Bwerinofa-Petrozzello continued. “Today I was reading about how the AICPA takes issue with what the IRS is trying to do with its voluntary program to regulate tax preparers because that stands to dilute what a CPA is. Other tax preparers aren’t held to certain ethical standards. It’s very important for us to make sure people know about that being a CPA.”

“The CPA is not looking to impress,” Frey said. “They’re looking to give good advice.”

“People go to lawyers and they expect the lawyer to talk with them, understand what they’re going through,” Durant said.

“As CPAs, they think we will just take their tax information and hand it back to them and not have that conversation.”

“Part of being a CPA is that you serve the public,” Bwerinofa-Petrozzello said. “The difference between a lawyer and forensic accountant is that when you go to a lawyer, the lawyer will advocate for you, but if you come to me with a forensic accounting case, I am supposed to advocate for the truth, because that’s serving the public. But it also means that, in this service, you will get the truth and the facts. If I am going to uphold my ethics, I am not going to pander to you. But it also makes us so trusted because we stand for the truth and we stand to serve the public, and I don’t know if everyone understands that about CPAs.”

“I really believe in the whole profit and loss statement and maximizing it,” Munjal said. “With our clients, revenue needs to go up, expenses need to go down. To really take that approach with your clients, you’re adding a ton of value. I think business development and sales skills and understanding revenue optimization is something we should really chat about in the CPA profession. It’s part of the financial statements, so why are we not breaking down sales and optimizing that a little bit more? I’m excited about the profession, personally. I was the person who didn’t want my CPA. My mom made me get it, to be perfectly honest. But I am super-happy that I went down this path, and I cannot be grateful enough. There is a lot going on in this profession, and, with the way the economy is, there is a need for a creative thought process from the next generation.”

“What you learn is that there are so many paths a CPA can take,” Bwerinofa-Petrozzello said. "A CPA can be in Congress, can be a senator, can be running a city—and it’s not just because they are fiscally knowledgeable, it’s because you get more of a full package with a CPA; there are many things a CPA is supposed to understand and learn and study. Outside of that you have CPAs running businesses—you have CPAs as the CFOs, but also CPAs as the CEOs. You have CPAs as secret agents. You just have them everywhere.”
Effectively Applying Professional Skepticism to Improve Audit Quality

By Richard Coppage and Trimbak Shastri

In planning and performing an audit, including the preparation of the audit report, an auditor is required to exercise due professional care. Implicit in this responsibility is maintaining an attitude of professional skepticism. Upholding such an attitude in practice, however, can be difficult. This discussion highlights some situations identified by the PCAOB that involve auditors’ failure to maintain a skeptical attitude. These situations, together with some specific strategies, can help auditors avoid similar or comparable failures.

**The Meaning of Professional Skepticism**

The PCAOB auditing standards define professional skepticism as an attitude that includes a questioning mind and a critical assessment of audit evidence (see interim standard AU section 230, “Due Professional Care in the Performance of Work”; AU-C section 200.A22-A26). The AICPA’s auditing standards define professional skepticism as an attitude that includes a questioning mind, an alertness to conditions that might indicate possible misstatement due to fraud or error, and a critical assessment of audit evidence (see AU-C section 200, “Overall Objectives of the Independent Audit and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards”). Auditing standards require auditors to exercise professional skepticism throughout the audit, and maintaining skepticism is critical in effectively completing any assurance engagement.

As indicated by PCAOB board member Jeanette Franzel—

Deconstructing the application of professional skepticism in auditing is complex and crosses multiple disciplines, including auditing literature, theory, and practice; corporate governance; business models; human behavior; and ethics. (“Auditor Objectivity and Skepticism—What’s Next?,” Aug. 5, 2013, speech at American Accounting Association Annual Meeting in Anaheim, Calif.)

**Impact of Auditor Independence, Technical Proficiency, and Judgment**

Auditors should exercise professional judgment and maintain professional skepticism in planning and performing an audit, recognizing that circumstances might exist that would cause the financial statements to be materially misstated (AU-C 200). Under AU section 150, “Generally Accepted Auditing Standards,” auditors are required to have adequate technical proficiency in audits, be independent, and exercise due care in audits.

Before accepting an audit engagement, auditors should ensure that the professionals assigned to the engagement are (individually and collectively) technically proficient. Auditors must be able to adapt to the ever-changing environments of regulation, the economy, and technology by updating their skills on a continuous basis. Independence and technical proficiency should enable an auditor to exercise due professional care, which requires applying sound professional judgment to accomplish the audit objectives. AU-C section 200.14 defines professional judgment as “the application of relevant training, knowledge, and experience, within the context provided by auditing, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the
Audit engagement.” To make informed decisions, an auditor should identify viable alternative courses of actions for evaluation in an unbiased manner; this requires applying sound professional judgment with a skeptical mindset.

According to International Auditing and Assurance Board (IAASB) Chairman Arnold Schilder, adopting and applying a skeptical mindset is ultimately a personal and professional responsibility that every auditor should embrace; it is an integral part of an auditor’s skill set and is closely interrelated to the fundamental concepts of auditor independence and professional judgment, which contribute to audit quality (Professional Skepticism in an Audit of Financial Statements,” http://www.ifac.org/sites/default/files/publications/files/IAASB%20Professional%20Skepticism%20QandA-final.pdf). Auditor independence, technical proficiency, and professional judgment collectively enable an auditor to maintain a skeptical mindset in planning and executing an audit (see Exhibit 1).

In order to maintain professional skepticism, auditors should keep in mind the following strategies:

- Remain alert to conditions that might indicate the possibility of risk of material misstatement, circumstances that might cause the financial statements to be materially misstated, conditions indicating that “top management” might not recognize the need for control or might not be acting in good faith, and audit evidence that contradicts other evidence.
- Have a critical and questioning mind, and do not be satisfied with anything less than persuasive evidence.
- Neither assume that management is dishonest nor assume management’s unquestioned honesty.
- Determine that proper assumptions have been used for estimates.
- Recognize the effects of pressures on management and remain aware of management bias.
- Recognize the existence of possible fraud conditions and appropriately follow up.
- Develop appropriate procedures that are responsive to assessed risk of material misstatements.
- Do not accept information or evidence without verification; in obtaining information and evidence exhibit systematic doubt, and clear that doubt by varying the nature, timing, and extent of testing in order to obtain more persuasive (e.g., including third-party) evidence.
- Recognize and effectively respond to increased risk of material misstatement arising out of economic crisis (e.g., fair value measurements, impairment of goodwill, indefinite-lived intangible assets, allowance for loan losses).


Technical proficiency is required to effectively plan and execute an audit. In some situations, audit firms accept clients without a careful and serious consideration of whether the firm possesses the necessary technical knowledge to perform the audit. For example, the PCAOB noted in its inspections situations where minimum levels of training on GAAP, PCAOB standards, or SEC reporting requirements had not been established for the foreign-affiliate personnel participating in audits of the foreign operations of U.S. issuers, thus affecting audit quality (Release 2008-008, “Report on the PCAOB 2004, 2005, 2006, and 2007 Inspections of Domestic Annually Inspected Firms,” Dec. 5, 2008). Furthermore, heavy partner and professional staff workloads could result in professional skepticism not being sufficiently maintained.

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**EXHIBIT 1**

Maintaining a Skeptical Mindset on an Audit

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EXHIBIT 2  
Examples of Situations Where an Auditor Failed to Maintain a Skeptical Attitude

<table>
<thead>
<tr>
<th>PCAOB Standards</th>
<th>Topic</th>
<th>How the Auditor Failed to Apply Skepticism</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS 5</td>
<td>Audit of internal control over financial reporting</td>
<td>- The auditor did not utilize an audit program, did not perform procedures adequate to make a reasonable basis for the firm’s internal control over financial reporting report, and did not obtain competent evidence that was sufficient to obtain reasonable assurance about whether material weaknesses existed.</td>
</tr>
<tr>
<td>AS 9/AU section 311 (AU-C section 300)</td>
<td>Audit planning</td>
<td>- The auditor failed to plan or carry out essentially any audit procedures relating to the client’s discontinued operations.</td>
</tr>
<tr>
<td>AS 10 (AU-C section 220)</td>
<td>Supervision</td>
<td>- Staff members with limited experience performed almost all of the audit work and the engagement partner failed to review much of that work.</td>
</tr>
<tr>
<td>AS 11/AU section 312 (AU-C sections 320 and 450)</td>
<td>Consideration of materiality in an audit</td>
<td>- The auditor failed to design procedures relating to intangible asset account balance to obtain reasonable assurance of detecting misstatements that the auditor believed (based on judgment about materiality) could be material.</td>
</tr>
</tbody>
</table>
| AS 15/AU section 326 (AU-C section 500) | Audit evidence | - The auditor determined that accounts receivable was a significant audit area that presented the risk of material misstatement due to fraud, but failed to perform the necessary audit procedures to obtain evidence.  
- The auditor failed to perform any audit procedures covering reported revenue and failed to obtain sufficient/competent evidence covering a ‘contract receivable’ representing about 60% of total assets. |
| AU section 316 (AU-C section 240) | Consideration of fraud in a financial statement audit | - Despite the audit committee’s concern that the allowance for doubtful accounts presented a fraud risk, the auditor did not perform adequate procedures to examine whether the provision for bad debts (at a lower amount) was influenced by management bias.  
- A last-minute adjustment to offset a substantial write-off should have alerted the auditor to revise the risk of material misstatement due to fraud and to extend audit procedures, but the auditor failed to recognize or examine the situation. |
| AU section 328 (AU-C section 501) | Auditing fair value measurements and disclosures | - The auditor initially determined that goodwill should be impaired by 50%. Without any apparent basis or audit evidence, the auditor compromised with management that goodwill should be impaired by only 25%.  
- The auditor failed to consider decline in fair value of equity securities held for sale; the decline was not temporary. |
| AU section 333 (AU-C section 580) | Management’s representations | - In some instances, the auditors did not sufficiently test or challenge management’s forecasts, views, or representations that constituted critical support for amounts recorded in the financial statements.  
- The auditor failed to review and reconcile disclosures in the financial statements with the contradictory information per confirmations relating to promissory note obligations included in workpapers. |
| AU section 334 (AU-C section 550) | Related parties | - Although the financial statements reported a related-party payable (about 40% of total liabilities), the auditor failed to perform adequate procedures to obtain sufficient appropriate evidence. |
| AU section 336 (AU-C section 620) | Using the work of a specialist | - When there is a material difference between the specialist's findings and the assertions in the financial statements, the auditor should extend audit procedures to resolve the difference; however, the auditor failed to perform additional procedures. |

(Continued on page 28)
Auditor independence. A lack of independence could also adversely influence an auditor’s ability to remain skeptical while gathering and evaluating audit evidence. The PCAOB observed that auditors did not meet the independence requirement in some audits because they provided bookkeeping or other services related to the accounting records or financial statements of the broker/dealers, and some firms

Applying the concept of materiality is as elusive as practicing the concept of professional skepticism.

Prepared a company’s trial balances. Providing nonaudit services to audit clients might adversely affect the auditor’s objectivity, in addition to violating the independence requirement. Some examples of a lack of independence and technical proficiency that affect audit quality include the auditor 1) accepting evidence that is not persuasive because of a belief that management is honest; 2) accepting client-prepared analyses without corroboration, including when there was known contradictory audit evidence; and 3) not adequately examining the completeness and accuracy of source documents and not documenting the completed audit work.

Professional judgment. In planning and executing an audit of financial statements, applying sound professional judgment influences the following matters:

- Determining whether sufficient resources are available to effectively complete the audit and assessing engagement risk before accepting an engagement
- Assigning professionals with appropriate technical competence to the engagement
- Keeping abreast of recent changes in regulations [e.g., GAAP, AICPA, and PCAOB auditing standards]

- Considering all external (e.g., economic, environmental, regulatory) and internal (e.g., governance, internal controls, financing, investing, and operating) factors, staffing, and the timing of applying procedures during engagement planning
- Establishing planning materiality and performance (tolerable) materiality
- Assessing fraud risk and going concern-related matters
- Assessing the risk of material misstatements (combined inherent and control risk) in order to develop responsive audit procedures in light of performance/tolerable materiality
- Gathering sufficient appropriate (e.g., third-party) evidence in accordance with auditing standards
- Evaluating (quantitative and qualitative) misstatements individually and in the aggregate in order to obtain a reasonable degree of assurance that the financial statements are free of material misstatements in accordance with GAAP.

An auditor should have a skeptical mindset in order to recognize whether material (quantitative and qualitative) misstatements exist at various (transactions, account balances, and disclosures) assertion levels. Applying the concept of materiality is as elusive as practicing the concept of professional skepticism. For example, a small quantitative misstatement that changes a loss into a profit might make the financial statements misleading. After recognizing the existence of such situations, the auditor should continue to have a skeptical mindset in developing and performing appropriate procedures to seek sufficient appropriate evidence to prevent a potential audit failure.

Examples of Situations Where Auditors Failed to Apply Skepticism

Although auditors have an obligation to maintain an attitude of professional skepticism, the PCAOB has reported in its inspection reports situations where auditors did not maintain such an attitude. Several PCAOB Settled Disciplinary Orders (SDO) summarized an auditor’s responsibilities as follows:

An auditor may express an unqualified opinion on an issuer’s financial statements only when the auditor has formed such an opinion on the basis of an audit performed in accordance with PCAOB standards. Among other things,
comparable situations and encourage them to take steps to maintain a skeptical mindset. In order to further ensure that a skeptical attitude is maintained while effectively planning and executing an audit, audit programs and procedures covering a specific audit engagement should be developed by identifying the standards and regulations (e.g., related to auditing and accounting) that are relevant for the engagement. Audit procedures should be prepared in sufficient detail for the following:
- Special considerations (e.g., communicating with the predecessor auditor and opening balances) if the engagement is an initial audit
- Audit planning, properly staffing and supervising, and establishing materiality
- Assessing the types of misstatements (due to errors, fraud, illegal acts—particularly those that affect the financial statements directly) that might occur
- Understanding the client’s business, including internal controls
- Determining whether accounting standards (e.g., revenue recognition) have been properly applied
- Assessing the risk of material misstatements for specific assertions at relevant transaction classes, account balances, and disclosures levels
- Addressing the assessed risk for relevant assertions
- Identifying and projecting misstatements individually and in the aggregate for evaluation
- Determining whether uncorrected and undetected (quantitative and qualitative) misstatements, individually or in the aggregate, would result in material misstatements
- Closing the audit, including subsequent events
- Reviewing completed procedures, related audit work, and documentation, and ensuring that all audit procedures and programs are completed
- Conducting an overall review at every level to ensure that quality controls and other regulatory requirements are met before communicating the audit conclusion
- Verifying representations made by management relating to recorded and reported amounts.

Audit procedures should be extended or varied when—
- evidence obtained from one source is not consistent with information obtained from other sources,
- a pattern of misstatements or inconsistencies is indicated,
- significant accounting estimates are involved,
- management estimates appear unreasonable,
- material adjustments around the year-end are recorded,
- there are transactions with related parties,
- specialists are used, or
- new accounting standards or regulations are adopted or implemented.

Any significant changes in the economy; the industry in which a company operates; and an entity’s financing, investing, and operating activities should be monitored, as well as their effects on the assertions embodied in the financial statements.

Remaining Aware of Independence Issues

Auditors should be reminded about the importance of maintaining a skeptical attitude during audits. This could be accomplished by 1) ensuring that auditors assigned to the engagement are technically proficient; 2) incorporating into audit programs adequate steps to ensure that audit procedures are applied with a questioning mind; and 3) conducting reviews of audit work and documentation at every level to ensure that due audit care, including a skeptical attitude, was maintained in gathering and evaluating sufficient appropriate audit evidence in support of an audit opinion.

Richard Coppage, CPA, CMA, is a professor of accountancy, and Trimbak Shastri, CA, CMA, CIA, is an associate professor of accountancy, both at the University of Louisville, Louisville, Ky.

(Continued from p. 26)

EXHIBIT 2
Examples of Situations Where an Auditor Failed to Maintain a Skeptical Attitude

| AU section 342 (AU-C section 540) | Auditing accounting estimates | Although the risk related to estimates for sales returns was assessed as relatively high, the audit personnel either failed to perform certain of the planned procedures or performed them without adequately evaluating the reasonableness of estimates. |
| AU section 410 (AU-C section 700) | Adherence to GAAP | When products were returned due to expiration, the auditor accepted the analogy to warranty accounting without adequately considering whether such a rationale was appropriate. As a result, the auditor inappropriately allowed the client to make a provision for most of estimated returns at replacement cost, rather than at gross sales price, in violation of GAAP, which resulted in a material understatement of sales returns reserve. |
| AU section 560 (AU-C section 560) | Subsequent events | The audit plan provided for the evaluation of subsequent events before the audit report was issued; however, the audit personnel failed to perform procedures through the completion of the audit. |