

How technology is pushing profession forward

Forecasting the future is now big part of a CPA's job

BY DARIA MEOLI

The role of the accountant has moved from historian to fortuneteller.

The profession has evolved from record keeper to proactive business consultant.

Simply put, the CPAs of today are working in real time and helping clients look to the future.

"Accountants don't just do historic reporting anymore, we do instantaneous reporting," said **Ren Cicalese**, managing partner of **Alloy, Silverstein, Shapiro,**

Adams, Mulford, Cicalese, Wilson & Co. in Cherry Hill. "CPAs are functioning more and more like accounting departments and setting up with key performance indicators. We're assisting clients in making real-time decisions."

By leveraging cloud accounting software, video conferencing and a host of other tech-

nologies, CPAs are looked upon to provide information, strategy and processes to help companies visualize future growth potential, rather than just doling out financial lessons learned from past performance.

"The way the world works right now, updated information is readily at hand and you can either

embrace technology or be left behind," said **Gary Bagoff**, partner at **Citrin Cooperman**. "We can give clients estimates of what will happen in the next month, the next quarter and the next year, all based on the information we are receiving today. Clients come to expect to have this type of service."

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Fraud alert: Decades-old Benford's Law is new way to detect a numbers' game

BY DARIA MEOLI

That whole thing about a "random set of numbers?" It turns out — there is no such thing.

Just ask your CPA.

CPAs have been using a data analysis tool called Benford's Law in audits and fraud investigations since physicist Frank Benford discovered this phenomenon in the 1920s. According to the law, there is a pattern in how often a digit appears in a seemingly random set of numbers.

Also known as "the first-digit rule," Benford's Law has become an increasingly important accounting tool used regularly by law enforcement and accounting firms specializing in fraud.

Benford's Law has been used in court cases — and its use is growing, thanks to technology.

"Benford's Law has been out there for a long time, but now it is getting more attention," said **Hubert Klein**, a partner at **EisnerAmper** and forensic accounting expert. "In the old days, we would have to review, enter and account for all the data. But with the technology available today, programs have been created that allow us to run the

algorithm in a much more efficient way."

This rule predicts how often numbers 1 through 9 will appear in the "one's column" in any set of numbers, such as accounts payable or receivable. Benford calculated the expected frequencies with which each digit pops up in naturally occurring data and found that low first digits occurred more frequently than higher digits.

For example, when an accountant looks at charitable contributions on a company's tax return, income statements, or balance sheets, the number 1 should occur in the one's column 30 percent of the time. The number 2 should occur 18 percent of the time, and so on.

When financial data is incorrect or falsified, it typically doesn't follow this distribution. Any deviation throws up a red flag.

"Generally, people are likely to do things the same way they have done in the past. They follow patterns," Klein said. "So, even if someone gets smart and realizes using round numbers will raise suspicion, they might keep going back to numbers that end in 1 or 5. Now, when we run the data through the algorithm, we can see deviations from Benford's Law."

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A not-so-random distribution

According to Benford's Law, here's how often a number should pop up as the first number in a random set of numbers:

30.1%

The number 1

17.6%

The number 2

12.5%

The number 3

9.7%

The number 4

7.5%

The number 5

6.7%

The number 6

5.8%

The number 7

5.1%

The number 8

4.6%

The number 9

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Tax filings, compliance and audits are still very much a part of the service accountants provide. However, clients are realizing accountants can add value with their general business acumen as well as their knowledge of where all the bones might be buried.

"In the past, there was an image of accountants wearing green eyeshades and counting the numbers, but the accountant was looked upon in a more consultative manner," said **Brad Muniz**, director of accounting and auditing at Livingston-based **Sobel & Co LLC**.

"Then, the **Enron** scandal happened and clients began to view their accountants strictly through the lens of compliance. Ever since, most of us have been pushing clients to understand how we can add much more value than just doing taxes and audit services. We're moving away from that green eyeshade image that we absolutely hate."

Because of increased regulation and complex tax codes, as well as the growing amount of available financial data, the accounting profession has become niche-oriented.

Clients expect their accountants to not only understand their business, but to also have knowledge of their industries and best practices.

"Understanding a client's industry has become a lot more profound than it has in the past," Muniz said. "Industries are more differentiated. If I had a smaller client back in the day, I could trade off small business concepts from one to the other. But now, I can't tell a manufacturing client the same thing I would a technology company."

When **Mark A. Mazza**, managing partner at Fairfield-based **Bederson LLP**, started his career more than 40 years ago, public accountants not only served a wide variety of industries, but prided themselves on being generalists. Today, that perspective has flipped.

"Today, there is an immense amount of data and you can't be a generalist," Mazza said. "Today, you need valuation experts, auditors, tax compliance experts and so on. You can't know everything, and if you don't recognize that, it's an accident waiting to happen."

While the profession has become more niche-based in the industries an accountant serves, the CPA role has also evolved into that of a quarterback or a matchmaker. The accountant is often the first call clients make when they need to make a decision or are facing an unwelcome business issue.

Executives and business owners often



Brad Muniz, director of accounting and auditing at Livingston-based Sobel & Co LLC. —AARON HOUSTON

are in touch with their accountants more than any other service provider. And accountants like it that way.

"I would feel terrible if something happened with one of my clients and the first call they made wasn't to me," Mazza said. "We are not lawyers, but we deal with litigation-based issues and we can help clients through by talking it out and pointing them to the appropriate legal counsel. We help our clients get the right guidance on banking, insurance and human resources on a regular basis as well."

Quarterbacking can present new business opportunities for CPA firms as well.

"Technology is one of the issues clients commonly look to us for advice," said Bagoff. "Not only cybersecurity, but inbound marketing and other technology-related issues."

Citrin Cooperman seized the opportunity and recently launched Citrin Cooperman Technology Consulting. While the group is part of the firm, it focuses more on cybersecurity and data management than tax filings and financial statements.

Not all CPAs are thriving under these new expectations of real-time service and proactive consulting.

"The world has changed and everything happens so much more quickly

Advice ... on anything

It seems some people will check with their accountant on anything that happens in their life.

At least that's been the case for **Gail Rosen**, founder and principal of **Gail Rosen, CPA, PC** and volunteer leader of the New Jersey Society of CPAs.

"Clients have called me from the car dealership to ask if they should lease or buy a car," she said.

Of course, that pales in comparison to other pleas: "I've gotten calls from Vegas: 'Is now a good time for me to get married?'"

because of technology, and it happens around the clock because of globalization," Cicalese said. "It's a challenge to get more senior CPAs comfortable with that role, because it's not the service they have spent most of their careers providing.

"With today's technology, we can't tell a client we'll get back to them in a week anymore."

According to Muniz, technology and the ever-increasing speed of business haven't changed accounting, but brought it back to its roots.

"The profession really has come full circle to the consultative nature that has always been there."

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