

CTCPA Survey of Challenges Facing the Accounting Profession and Clients, and Possible Solutions

2021



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Connecticut Society of Certified Public Accountants

Executive summary and key findings

In early 2020, the Connecticut Society of Certified Public Accountants (CTCPA) conducted a survey of its members to build a snapshot of Connecticut's accounting profession at that point in time. The resulting report revealed interesting data on concerns, business developments, and more, and the decision was made to repeat the survey each year in order to find and track trends.

Two months after that initial survey closed, COVID-19 arrived in the United States and upended the profession and the overall economy; this year's survey provides a unique benchmark of how the coronavirus affected Connecticut business.

Key findings included:

- Dealing with COVID-19 was a major concern for nearly half of all respondents, and more than half of the respondents working as finance professionals in private industry, government, education, and nonprofits.
- Keeping up with and complying with new state and federal regulations was a pain point for respondents and their clients and customers.
- While most respondents are veterans of the profession, an alarming number of respondents do not have a succession plan for their companies.
- Connecticut's public policies are not viewed favorably by business decision-makers surveyed – but the state did receive slightly higher ratings post-COVID-19 than pre-COVID-19.



49.7%

of all survey respondents
cited concerns with
complying and keeping
up with new federal
regulations, making it
this year's top challenge.

About the Survey

This year's survey was in the field between December 14, 2020 and January 8, 2021 and received 366 responses (margin of error +/- 5%, response rate of roughly 10%). Survey responses included 281 participants from public accounting and the remainder from business and industry, government, education, and nonprofits. Most have several decades of experience in the industry and have some input in company decisions.

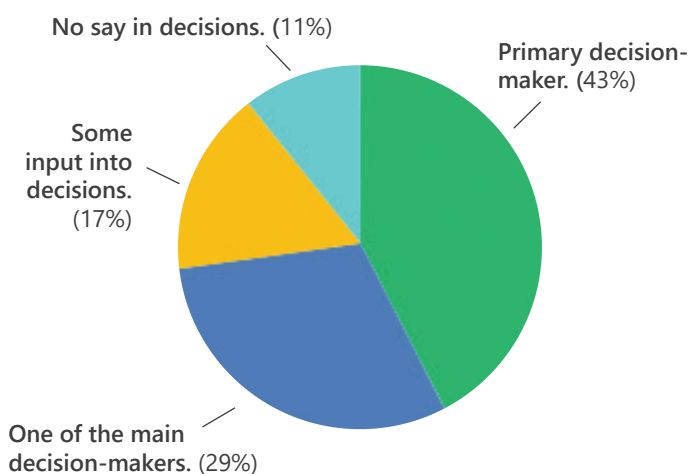
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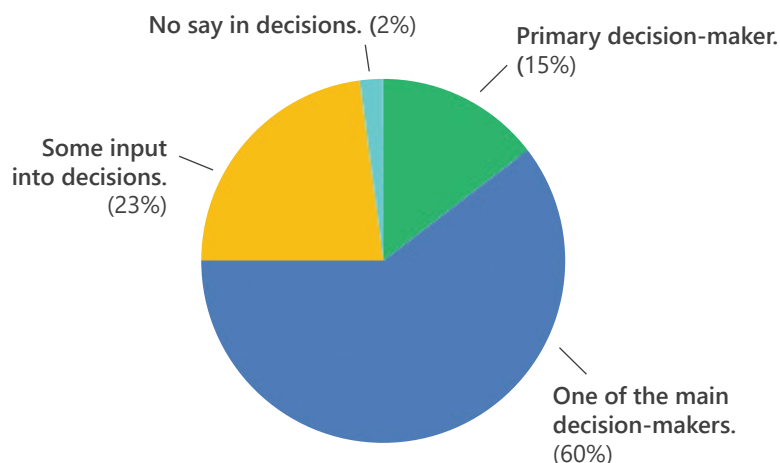
Respondents' experience and services

More than 84% of respondents have at least 20 years of experience in the profession, with 40% of all participants reporting between 31 and 40 years of experience; only 6% have fewer than 10 years of experience. Ninety-six percent of the respondents are CPAs (up 5% from last year's survey); 94% of respondents have some input into decisions, with 39% being the primary decision-maker.

Public practice:
Are you a decision-maker in your firm?



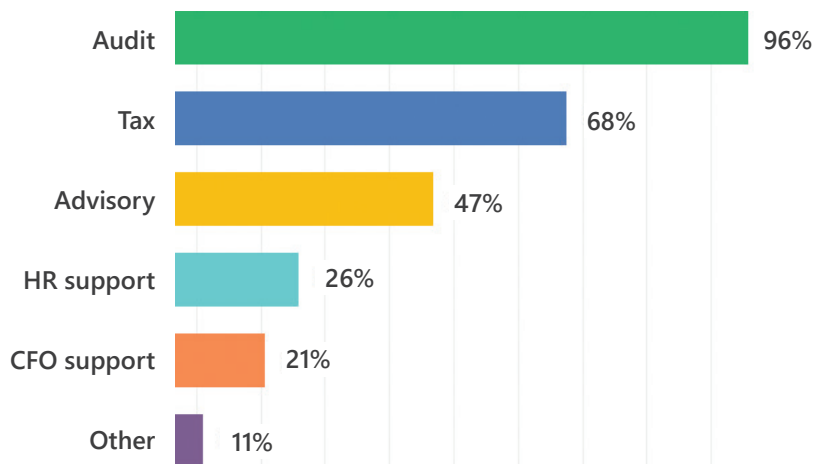
Business and Industry:
Are you a decision-maker in your company?



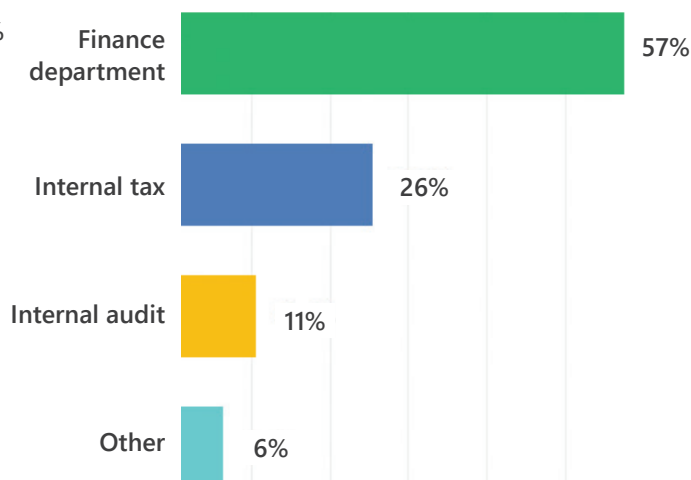
Ninety-six percent of public accounting respondents provide tax services, with 68% providing advisory services, 47% providing audit services, 26% CFO support, 11% HR support, and 21% other services like bookkeeping, forensic, fraud, payroll, and estate and trust work.

The majority of industry respondents work in their companies' finance department, with close to 11% in internal tax and 6.4% in internal audits. A majority of the respondents who selected "other" work in management, as executives or controllers.

Public practice:
What services does your firm provide?



Business and Industry:
What is the focus of your job?



What are firms and organizations struggling with?



43.1%

of respondents cited dealing with COVID-19 ramifications as an area of significant concern.

While a benchmarking survey typically repeats questions and choices, the circumstances that unfolded in 2020 necessitated an additional concern – “Dealing with COVID-19 ramifications” – be added to the question “What are the top three challenges your firm/organization is facing?”

Not surprisingly, dealing with COVID-19 was an area of significant concern for both firms and organizations. COVID-19 was a top concern for respondents working in industry (46.8%) and the second most popular response for those in public practice (42.5%).

As we all experienced in the past year, those ramifications were far-reaching. A number of respondents delved into more specific COVID-19-related detail when asked for “other” responses, including:

- Finding a healthy balance between work and recreation,
- Keeping all employees safe and healthy,
- Working remotely,
- Manufacturing in a COVID-19 environment.



49.7%

of respondents said they are struggling to keep up with new federal regulations, up from 44.1% in 2020.

In response to the coronavirus pandemic, the federal government passed and enacted several multi-billion-dollar legislative packages, including the Families First Coronavirus Response Act in March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020, the Paycheck Protection Program and Health Care Enhancement Act in April 2020, and the Consolidated Appropriations Act of 2021 in the final days of 2020. The text of the December act alone spanned nearly 5,600 pages, and individuals and companies alike struggled to understand tax changes, new requirements, and ins and outs of various stimulus packages and loans like the Paycheck Protection Program.

In early 2020, 44.1% of all respondents were having trouble keeping up with new federal regulations; by early 2021, that number increased to 49.7%. This was magnified for CPAs working in public accounting, with 51.7% of public practice respondents stating this was a top concern (versus 40.9% in 2020) – which makes sense, as CPAs in public practice often serve as trusted advisors for many highly impacted industries such as small businesses and restaurants. For companies, this was 38.3%, up from 30.9% the previous year.



39.5%

of respondents cited finding new workers as a top challenge, down from 50.3% the previous year as hiring took a backseat in a more complex and challenging environment.

The most significant change over the past year was the challenge of finding new workers. In 2020, this was the top challenge for respondents in both industry and public practice; it slipped from the top concern to third for firms (a change from 52% to 41%) and fourth for companies and other organizations (from 41.8% to 29.8%). This is not surprising, as many organizations found themselves in “survival mode,” unsure of the long-term consequences of the pandemic. Between grappling with legislative changes and adjusting to new virtual work environments, hiring likely took a backseat and/or became more complex in a virtual environment.

Respondents' top challenges



36.9%

of respondents say complying with new Connecticut regulations is a top concern, a slight decrease from 38.3% last year.



23.5%

of respondents said finding new clients was a top concern, a drop of more than 8% over last year.



2%

of respondents are concerned about getting needed financing, down from last year's already low 4.3%, most likely due to increased state and federal financing programs.

Top Concerns for Public Practice

	2021	2020
Complying/keeping up with new federal regulations	51.7% ↑	47.1%
Dealing with COVID-19 ramifications	42.5%	n/a
Finding new workers	41.3% ↓	52.3%

Top Concerns for Companies and Organizations

	2021	2020
Dealing with COVID-19 ramifications	46.8%	n/a
Complying/keeping up with new federal regulations	38.3% ↑	30.9%
Adopting new technologies	38.3% ↑	35.3%
Finding new clients	31.9% ↓	35.3%

Top Concerns for All Respondents

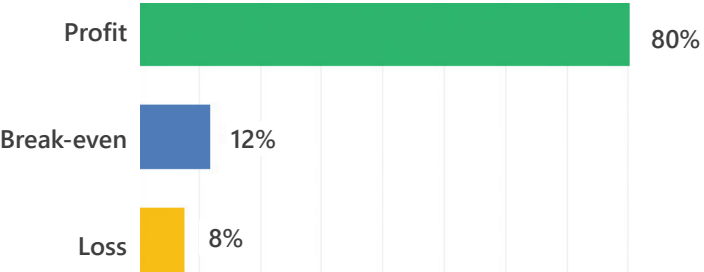
	2021	2020
Complying/keeping up with new federal regulations	49.7% ↑	44.1%
Dealing with COVID-19 ramifications	43.1%	n/a
Finding new workers	39.5% ↓	50.3%
Complying/keeping up with new Connecticut regulations	36.9% ↓	38.3%
Adopting new technologies	30.4% ↓	31.6%
Using more automation	27.8% ↑	23.7%
Finding new clients	23.5% ↓	31.6%
Keeping new workers	13.1% ↓	21.0%
Marketing my services	11.8% ↓	13.0%
Adopting social media	7.8%	7.4%
Expanding into new regions	5.2% ↓	9.6%
Getting needed financing	2.0% ↓	4.3%

Financials

Even with the unique challenges 2020 and the COVID-19 pandemic brought, most of the finance professionals in the survey indicated that their organizations had made it through relatively unscathed. In fact, the number of organizations reporting their financials would show a profit for the past year dropped by only four percent.

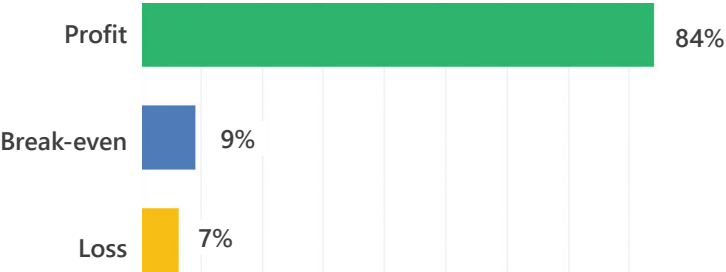
2021

For the past year, will your organization's financial statement show:



2020

For the past year, will your organization's financial statement show:



92%

of respondents said their organization's financial statements would show a profit or break-even status for the past year. This is promising news in light of the challenging business environment and only represents a 1% decrease over last year.

Succession planning

One of the biggest surprises in the initial survey was that, even though most respondents had more than 20 years of experience, only 53% of respondents' public practice firms and 62% of business and industry respondents had a succession plan.

This year's respondents in business and industry saw considerable improvement on this front, with nearly four out of five respondents indicating that they have a succession plan. Less than half of public practice respondents, however, could say the same.

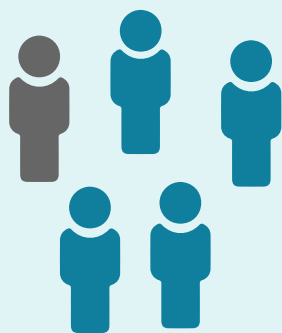
Companies across the country saw their plans go out the window last year in ways that were previously unimaginable; even the most prepared of companies likely found themselves operating without a manual at some point. But armed with the lessons learned this year and a slew of new technological tools and advances, companies should take the time to revisit and revamp – or, of course, create – a written succession plan.

Business and Industry: Does your organization have a succession plan?

	2021	2020
Yes	77.8% ↑	61.4%
No	22.2% ↓	38.6%

Public Practice: Does your firm have a succession plan?

	2021	2020
Yes	49.6% ↓	53.0%
No	50.4% ↑	47.0%



Nearly 4/5
individuals who work in the business and industry/finance sector indicate their business has a succession plan.

Less than half of public practice respondents say the same.

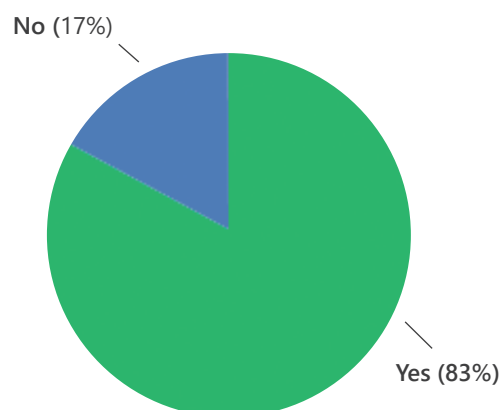
What public practice firms hear from their clients

Interestingly, while an alarming number of public practice respondents do not have a succession plan for their firms, they are having the necessary conversations with their clients. Nearly 83% of respondents shared that they talk to their clients about succession planning, a 1% increase over the prior year.

This is just one of the conversations that CPAs have been having with their clients this year. Over the course of the pandemic, CPAs have cemented their reputation as trusted business advisors. When restaurants were forced to shut their doors and start crunching numbers as to how long they could survive without indoor dining, they called their CPAs to run emergency budget numbers. Small business owners picked up the phone to ask if they could and should apply for the government's Paycheck Protection Program and seek advice on how to navigate the loan forgiveness program.

Dealing with COVID-19 ramifications was the most popular challenge for public respondents' clients, reported by nearly 56%. Complying/keeping up with new federal regulations came in as the second most cited challenge (51.7%, up from 44% the previous year), followed by complying/keeping up with new Connecticut regulations (44.8%, down from 56% the previous year).

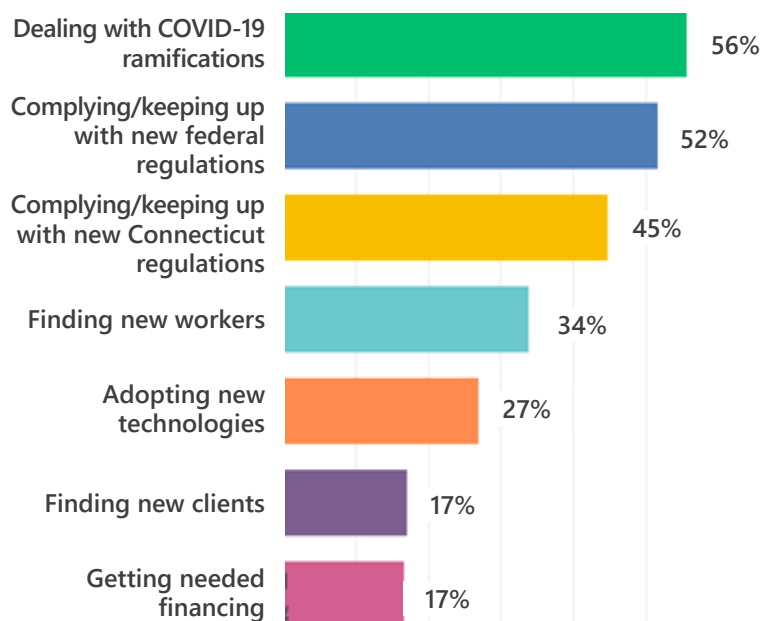
Do you talk to your clients about succession planning?



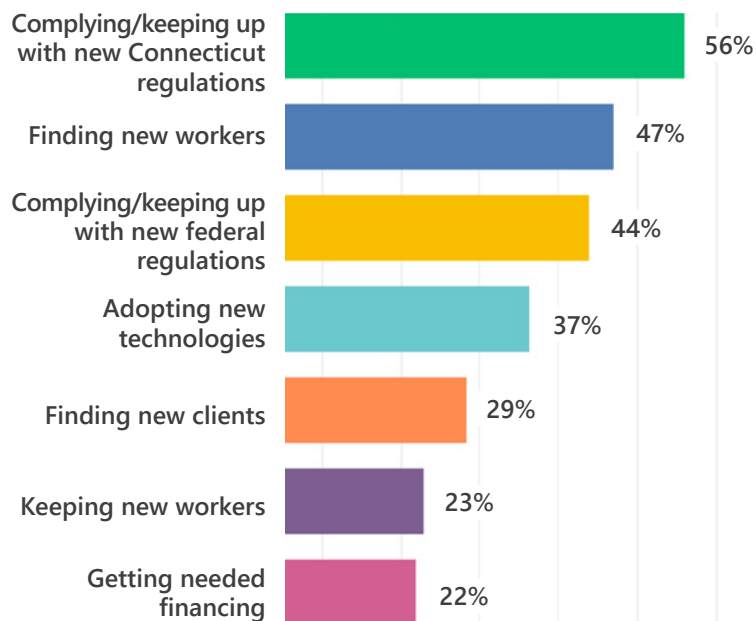
The biggest change in client challenges, similar to the public practice respondents about their own circumstances, was in finding new workers. While this was a top concern for 47% of respondents in early 2020, this dropped to 34% in 2021.

What are the top challenges your clients are facing?

2021 Responses



2020 Responses



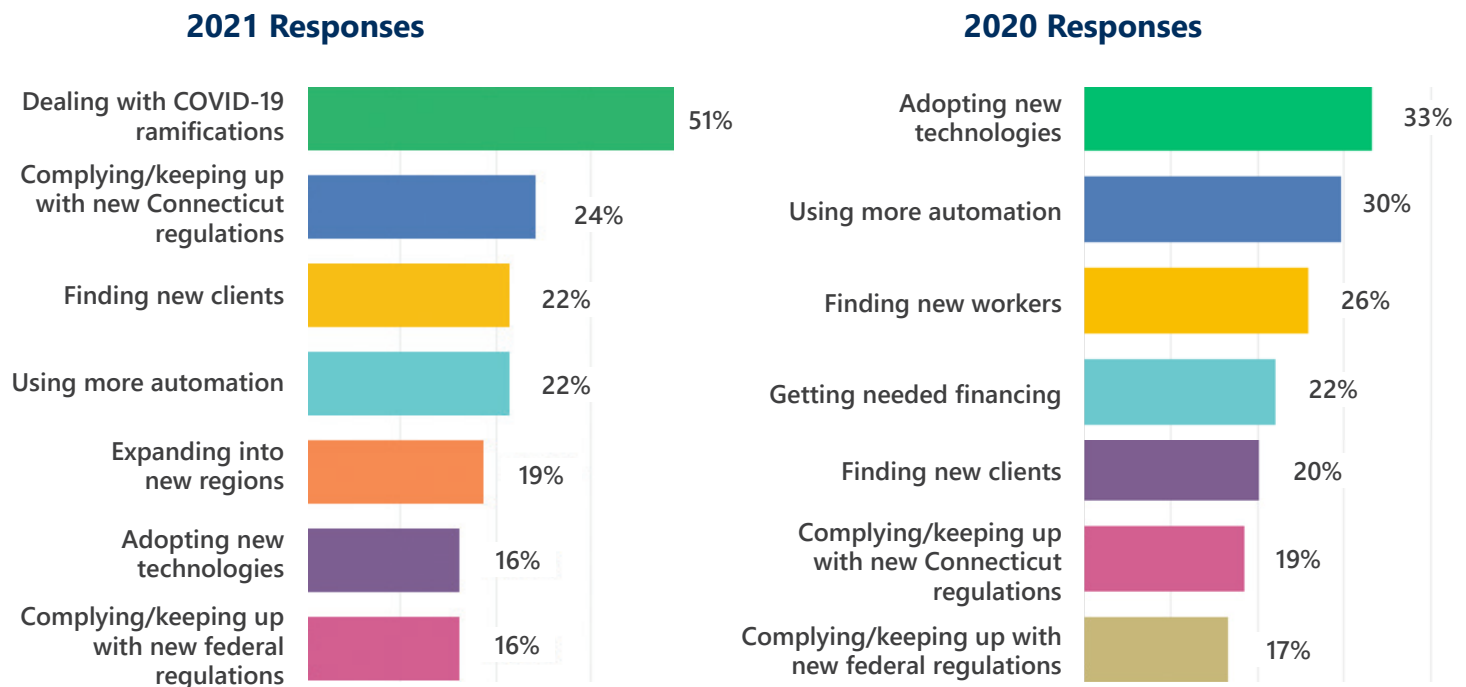
What organizations hear from customers and clients

In 2020, organizations said their customers and clients seemed to be focused on preparing for the future, with adopting new technologies, using more automation, and finding new workers coming in as the top challenges. It appears COVID-19 marked a significant sea change for these customers.

This year, more than half of industry respondents' customers were struggling with COVID-19 ramifications – a considerable margin over all other challenges cited. The second most popular choice, with 24.3% of responses, was complying/keeping up with new Connecticut regulations, with finding new clients and using more automation tied with 21.6% of responses.

This segment was the only population in the survey that did not list complying/keeping up with new federal regulations as a top concern.

What are the top challenges your customers and clients are facing?



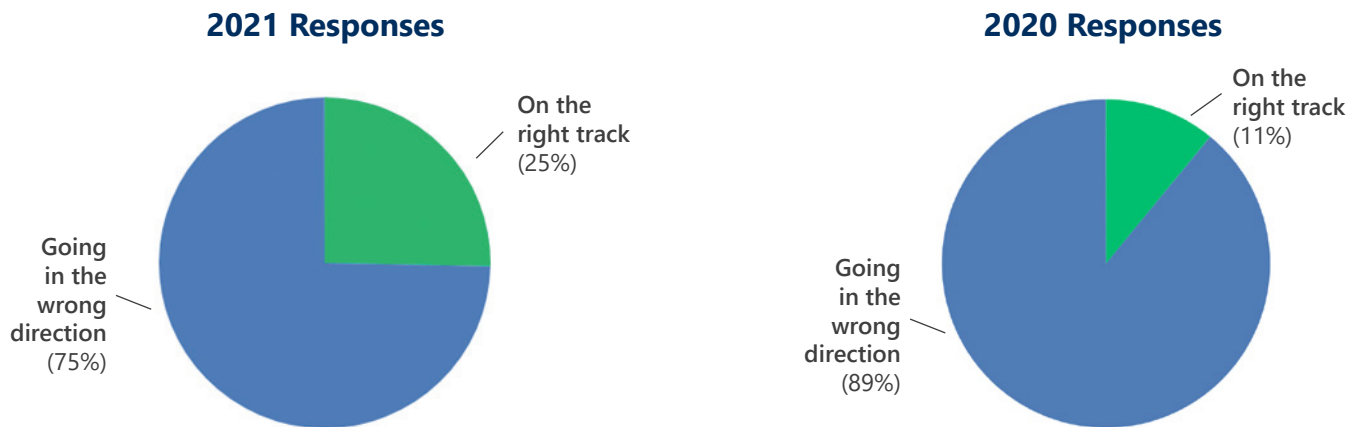
Public policy

For the past several years, Connecticut public policy has been criticized by business leaders. The state, many argue, is not a business-friendly environment, which has ultimately resulted in slow job growth and a subpar economy when compared with other states.

So how do Connecticut CPAs and financial planners feel about Connecticut's public policy and business climate?

Connecticut and Governor Ned Lamont's response to the pandemic has, for the most part, been well-received. While three-quarters of respondents reporting that Connecticut's public policies impacting business are going in the wrong direction doesn't exactly sound good, it's a substantial improvement over the prior year, when 9 out of 10 respondents gave that answer.

Do you think Connecticut public policies impacting businesses are:



When respondents were asked to rate Connecticut's business economy on a scale from "very poor" to "great," ratings were considerably more favorable than last year as well. The amount of respondents who stated Connecticut's business economy was "good" was up by 1% over last year, and the amount of respondents who stated Connecticut's business economy was "average" was up 12%, from 29.4% to 41.4%. The amount of respondents who believed Connecticut's business economy was "poor" decreased by 9% (48.7% the prior year the first year vs. 39.7% this year), and the number of "very poor" responses dropped by 4.5% (from 15% in 2020 to 10.5% in 2021).

How would you rate Connecticut's business economy now?



While this certainly shows that Connecticut has a long way to go in the quest to be considered "business friendly," the trajectory is a positive one.

Conclusion

"It simply cannot be overstated – this year was unprecedented," said CTCPA Executive Director and CEO Bonnie Stewart. "Connecticut's CPAs have always served a critical role in Connecticut's business community; whether they work in public accounting or at companies, not-for-profits, or other organizations, they are sought after for their financial acumen and looked to for advice on everything from tax liability to business strategy."

"A few years ago, our members adapted to the changes enacted by the Tax Cuts and Jobs Act. This year, they needed to understand and implement guidance for three major legislative acts, which was clearly an incredibly different task for everyone, as the data shows," Stewart continued. "Connecticut's CPAs worked diligently to support not only their own companies, colleagues, and families, but also businesses all across the state."

"At the CTCPA, we've been focusing on technology and staying ahead of the curve, as the pace of change has been exponential. Technology was such a critical element this year, allowing our staff to stay connected and continue day-to-day work from anywhere. The lessons learned this year will help our organization and our members continue to grow, thrive, and prepare for whatever comes next."

"On behalf of survey sponsor Ion Bank, I'd like to thank Connecticut's CPAs for their efforts and dedication throughout these trying times," said David Rotatori, Ion Bank President and CEO. "We've been serving the community for more than 150 years, and it has been our privilege to work as partners to create a stronger Connecticut, this year and beyond."

"Technology was such a critical element this year, allowing us to stay connected and continue day-to-day work from anywhere. The lessons learned this year will help us continue to grow, thrive, and prepare for whatever comes next."



Bonnie Stewart
Executive Director and CEO,
Connecticut Society of CPAs

"We've been serving the community for more than 150 years, and it has been our privilege to work as partners to create a stronger Connecticut, this year and beyond."



David Rotatori
President and CEO,
Ion Bank

About the Connecticut Society of CPAs



The state's premier membership association for certified public accountants and other finance professionals, the CTCPA serves almost 6,000 individuals in public practice, business and industry, not-for-profit, government, and education. The organization is led by a seven-person volunteer Board of Directors and a 30-person volunteer Advisory Council.

Our members are trusted business advisors who help individuals, businesses, and other organizations plan and reach their goals.

Our mission includes promoting a culture of life-long learning, providing member engagement through virtual and in-person networking and collaborative events, helping our members leverage the latest technology, and cultivating relationships with policy makers, governmental officials, and fellow professionals.

Much like the finance professionals the CTCPA serves, the society also was forced to pivot in March 2020. Technology, which has been a major focus for the society and members alike in recent years, became a critical investment when the CTCPA switched all of its in-person classes and events to livestream.

More than 97% of this year's survey respondents were CTCPA members.

Find a CPA in your area or become a part of our dynamic membership at www.ctcpas.org.

About Ion Bank



Ion Bank, based in Naugatuck, is a mutually held, community bank serving Connecticut individuals and businesses for over 150 years. Our philosophy centers on identifying and achieving the financial goals of our customers and building lifetime relationships with them.

When it comes to the financial resources to help individuals and businesses, we offer a full range of deposit products, lending solutions, cash management, wealth management and insurance products – all with the personal service you'd expect from a true community bank.

With 19 convenient locations, online banking including bill pay, mobile check deposit, remote deposit capture, and bank by phone, you can bank with us 24/7/365 from anywhere. For ultimate convenience, our innovative Personal Teller Machines connect you to a live Personal Banker via video to perform real-time transactions with extended hours from 7am to 8pm Monday through Friday and 7am to 3pm on Saturday.

"With Ion Bank, we feel a partnership has developed allowing us to devote more time on growing our company."

Joe Cardinale,
Corporate Director of Finance – HRP Associates

Upgrade to better banking today. Call us at 203-729-4442 or visit ionbank.com to learn more.