

Technology Lessons From Coronavirus Pandemic

Firms Embrace Technology, Prepare For Tax Change

■ By FRED GRIER

For more than a decade, some accounting firms resisted shifting their critical data and IT systems to the cloud. And even fewer firms supported all of their employees working remotely at the same time.

That all changed when the global pandemic took hold in 2020. The stay-at-home orders and quarantines forced many firms to figure out how to remain operating when no one could go to the office.

And, in many cases, the changes had to be made overnight.

The *San Diego Business Journal* had a chance to discuss accounting trends including shifting to a work-from-home environment, experiencing digital transformation, as well as preparing for changes in tax law with several of the region's top finance professionals.

Digital Transformation

Firms that invested in technology enablement before the pandemic, were able to pivot quickly and find success in a remote work setting with their clients, said **Juli Moran**, San Diego marketplace leader at **Deloitte**, who was newly appointed to lead the largest and fastest growing professional services firm in January.

"Those who invested in technology prior to the pandemic had an easier time moving into remote work," said Moran. "We experienced no lack of delivery and quality. It's a testament to our clients resiliency and the technologies that we have employed over the last couple of years."



Juli Moran
San Diego Office
Marketplace Leader
Deloitte

Jerry Varga, office leader at **RSM** in San Diego, said his team has transitioned smoothly to working



Jerry Varga
San Diego Office
Leader
RSM US

remotely. Although, it has been difficult to cultivate and develop new personal connections as well as deepen client relationships, Varga said. "The mental shift has been more challenging than the actual ability to work from home," he said.

"COVID-19 has accelerated digital transformation like no other internal company initiative ever could," said **Robert Bruning**, managing partner of the San Diego office of **Ernst & Young**. "It is a business mandate that will only continue to grow and be a priority post-pandemic."



Robert Bruning
Managing Partner
Ernst & Young

Industries Impacted Differently

The pandemic tested the financial sustainability of public companies, forcing even healthy ones to manage cash amid slumping sales, social-distancing expenditures, and disrupted supply chains.

Michael Green, managing partner at **Baker Tilly** said, from a life science industry standpoint — without downplaying the horrible situations caused by the coronavirus — the overall life science industry has favored fairly well.

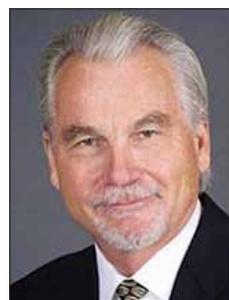
"In San Diego, whether it's a vaccine, therapeutic or the diagnostic side of things, both clients and non-clients have been able to raise funding last year," said Green. "From venture funding to IPOs to PIPE offerings. There's just been a lot of money raised in the life science space both in San Diego and outside of the region. It's been very good for the industry."

Jamie Mason, managing partner at **BDO USA's** Carmel Valley office, said not everyone in all areas are experiencing the same impacts of the pandemic.

"Historically, manufacturing industries and cities in the Midwest are struggling a little bit more. On the coasts we're doing pretty well, because we've got a pretty heavy technology and life science presence, which have been doing extraordinarily well throughout the pandemic."

"Some industries have done very well and others have been horrible," said **Paul Nation**, senior managing director at **CBIZ MHM**. "For example the hospitality sector has been terribly impacted, whereas a lot of other businesses have done well."

"We ended up being very busy last year, after experiencing a lot of



Paul Nation
Senior Managing
Director
CBIZ MHM

Pros and Cons of Remote Work

Brad Gastineau, partner at **Gatto Pope and Walwick LLP**, said a benefit of the work-from-home model, is that it has provided people a new opportunity to explore a different quality of life.

"People no longer have to be tied to a particular employer's city," said Gastineau. "Some people want to work exclusively from home and we're fine with that. We believe we can still collaborate using technology, it's actually allowed us to expand our reach and serve more clients."

"I could see a hybrid model in the near future where employees can come into our office while still having a kind of 'work-from-home philosophy,' it makes a lot of sense," he added.

Stephen Austin, managing partner at **Swenson Advisors LLP** in downtown San Diego, said the remote setting offers several upsides including spending less money on gas, reduced car repairs, and even spending

less at the weekly dry cleaners. However, it has made it more difficult on the business auditing side of things, he said.

"Part of our job is to go meet our client and look around to see what's going on in their business and their warehouses. The COVID restrictions have kept us out of a client's offices," said Austin. "This past year we found that it was harder because of all the restrictions on access to the warehouses. It took longer to complete the process remotely than it would have taken working in the office."

Tax Changes Approaching

Ernst & Young's Bruning, said as the U.S. works to stabilize its economy. "Tax

challenging moments early in the year. We ended up having one of the best years we've ever had with all the changes taking place and many companies needing help with financing," he added.

will play a significant role. The new tax changes are on the horizon but the exact plans remain unclear for now," he said.

"We will continue to help our clients better understand the new tax proposals, model their effects on their companies, and advise them on how to spend their time and attention. Not all proposals have an equal chance of moving ahead, and some may not move ahead quickly, if at all," said Bruning.

Similar to Ernst & Young, many firms are offering informative resources including webcasts, tax alerts, research, digital tracking tools to help clients stay well versed on the latest changes in tax law and the implications for their businesses.

"Obviously, with the change in administration, there's changes coming, no one necessarily knows exactly what those are or when they're going to come," said **Cathy Gonzales**, San Diego office managing partner at **KPMG LLP**.

"As a firm, we have an entire tax legislative team that's monitoring that daily basis. And as soon as the changes come out, we reach out to our clients to discuss how it's going to impact them and identify ways we can help and support them," she added.

Kevin Dusi, partner at **Moss Adams, LLP** said tax breaks for wealthy individuals and companies will most likely be going away at least partly. "A lot of the reduced tax rates, especially in light of all the funding that's gone toward various COVID related support, I think there is no way to maintain those low rates."

Cultivating Culture and Talent

Even in a pandemic world, firms that continue to invest in their employees, work to cultivate a great culture from the top down and find creative ways to better support their employees will retain their employees longer than those who don't.

BDO's Mason said aside from the business aspect, focusing on the people element is just as important as building a profitable organization.

"Not everyone has been impacted the same with the pandemic. It's important



Cathy Gonzales
San Diego Office
Managing Partner
KPMG LLP



Stephen Austin
Managing Partner
Swenson Advisors
LLP



Jamie Mason
Managing Partner
BDO USA

to continue to emphasize the human element by checking in on people and making sure that everyone's doing okay," said Mason. "Some people are able to work remotely all the time, but other people are feeling isolated and are experiencing anxiety or depression."



Kevin Dusi
Partner
Moss Adams LLP

"The human element also needs to be balanced with the business element," he added.

To support their staff during the transition to remote, KPMG granted its employees a \$1,000 bonus last year to cover additional expenses such as buying a desk chair, desk, a laptop, among other work-related supplies. In addition, the firm also created additional resources to provide social emotional support.

"There are young people living in apartments with two or three roommates, and they're working on their couches or tables," said Gon-

zales. "We realized early on there were some additional expenses. Many of them didn't have desks, chairs or equipment at home. KPMG has been there to support them during this time."



Michael Green
Managing Partner
Baker Tilly

Preparing for What's Next

Looking forward, new technologies will enable auditors to focus more on innovation and strategy, and less on the more mundane tasks that previously demanded their energy and attention, said Bruning.

"The human aspect of the business, especially relationship building, will become increasingly important in this age of transformation and technological innovation," he added.

RSM's Varga is also betting there will be an increased focus around ESG environmental governance.

"Both consumers and customers or employees want to understand the company's mission, and their values. There's going to be an enhanced focus on that as well going into the future, especially with more millennials in the marketplace and being consumers."

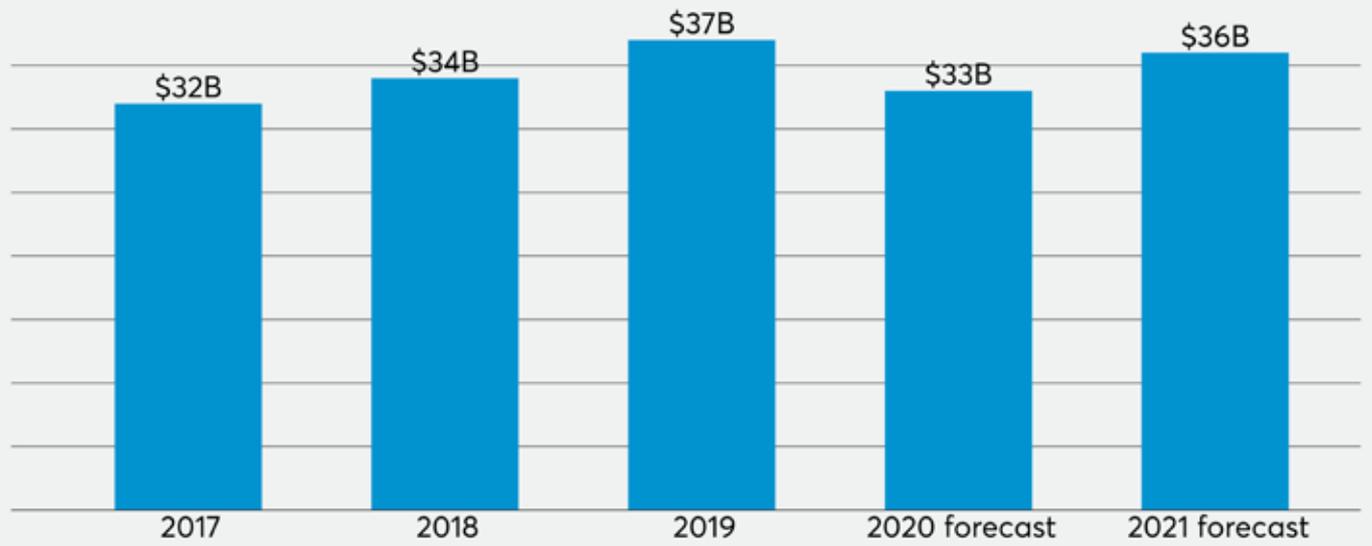
As of now, It is unclear what the future ESG-disclosure requirements could look like. SEC Commissioner Hester Peirce said there should be specific disclosure requirements for certain industries, rather than blanket regulations that apply to companies across all sectors.



Brad Gastineau
Partner
Gatto, Pope & Walwick LLP

"To be prepared for the future, accountants should pay close attention to the growing demand for environmental, social and governance (ESG) information and practices among both investors and business leaders," said Bruning. ■

Size of global tax advisory market, 2017-2021

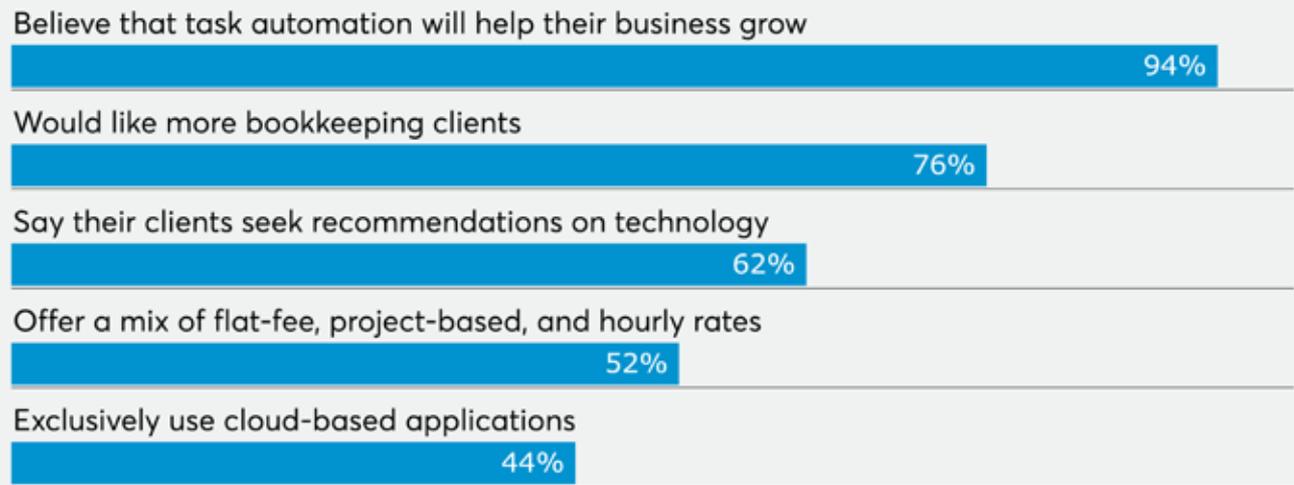


Source: Source Global Research

Experts predict the global tax advisory market will recover soon.

Changing attitudes

● Percentage of bookkeepers who ...

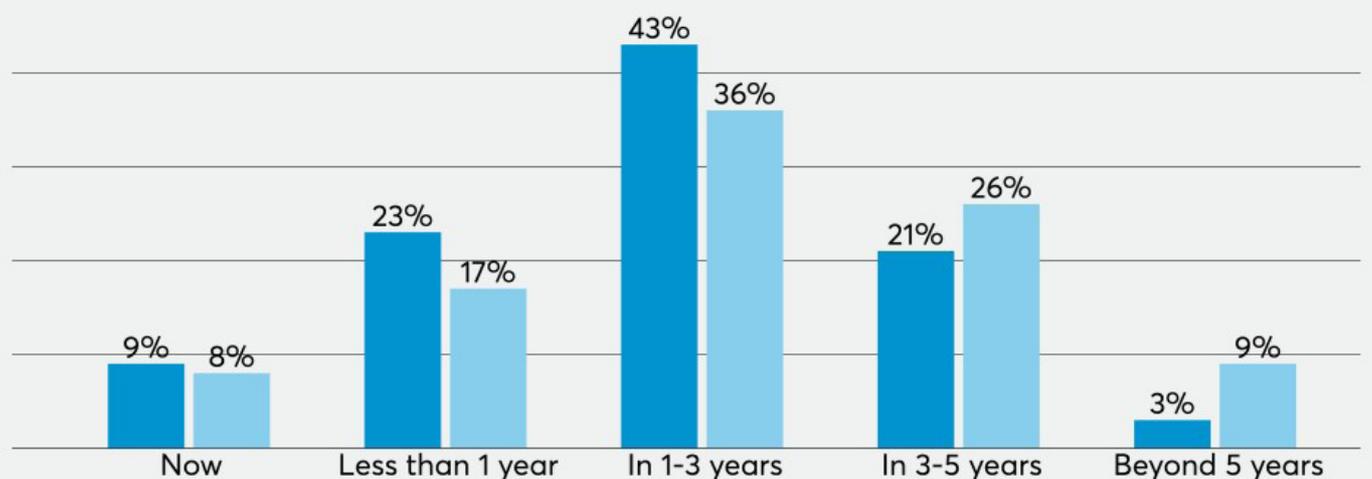


Source: Bill.com "State of Bookkeeping Practices Survey 2020."

Accountants and bookkeepers are changing their attitudes toward software services.

3 years is the sweet spot for AI

● AI will transform our organization ● AI will transform our industry



Source: "State of AI in the Enterprise" report, 3rd edition, Deloitte

A growing number of business executives have confidence in AI's ability to provide value and competitive edge, according to a recent report conducted by Deloitte.