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Focus Points for 2017

Ten Action Items for CFOs and Controllers

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Was 2016 a success for you, your department and organization? Now is an excellent time to reflect on 2016 and make commitments for the New Year. Here is my top-ten list of considerations for 2017. While many of these ideas can be applied to any professional position, some are explicitly directed to CFOs, Controllers, and other leaders of accounting and financial reporting.

1. **Reflect on 2016 in terms of accomplishments and missed opportunities in the spirit of continuous improvement:**
 - a. What was learned from external sources, such as competitors, customers, vendors and regulators?
 - b. What was learned from internal sources, such as employees and board members?
 - c. Are there opportunities to improve the accounting close and financial reporting process?
 - d. What can we accomplish better, faster, more cost efficient?
 - e. How can you transform this information into actions?
2. **Define what 'success' looks like for 2017, both for you and your team:** Write down your objectives, both professionally and personally. On the business front, link them to how they create and preserve shareholder value. Confirm that objectives are consistent with the organization's mission, vision and goals of the strategic plan.
 - a. How do you and your team define successes?
 - b. What is your department's contribution in growing and preserving shareholder value?
 - c. How will we measure objectives?
 - d. What are the potential impacts to people, processes and technology?
 - e. Are your personal objectives aligned with your professional objectives?
3. **Conclude on how 'successes' will be recognized in 2017:**
 - a. Who will communicate them?
 - b. How will they be communicated up, down and across the organization?
 - c. How will those responsible for the successes be recognized and rewarded?
4. **Determine what relevant data and information, both internal and external, is needed to meet objectives:** Consider associated risks in identifying, collecting, using and retaining data.
 - a. How will we obtain or generate it?
 - b. How will we store, summarize and use it?
 - c. How will we conclude if it is sufficient, timely and valid?
 - d. How will we protect it, especially for confidential data and information?



5. **Promote a culture of education and skills building:** While investing in your team's knowledge base and collective skills should always be top-of-mind, make a conscious effort to clearly define this, both for yourself and your team.
 - a. What additional or enhanced skills are needed for 2017?
 - b. How will these needs be addressed? Consider continuing professional education, in-house learning sessions, mentoring and supervision.
 - c. Can we take advantage of non-traditional training means; such as real-time delivery, as well as active, cooperative, collaborative and problem-based learning?
 - d. Who will deliver it?
 - e. How will we integrate this effort into long-term career development?

6. **Keep the topic of 'risk' close in mind and as a continual meeting agenda item:** Remember that risks are simply the possibilities of future events, both positive and negative, that impact the achievement of business objectives. Understanding them and reacting to them should be central to the decision making process.
 - a. How does our department fit into our organization's enterprise risk management process?
 - b. Do you have a well articulated risk assessment process, including who, when, where and how?
 - c. How will we communicate with other departments to harvest necessary disclosure information, such as impairments, loss contingencies and related party transactions?
 - d. Does our risk assessment process address risks attributed to both errors and fraud?

7. **Embrace 'change':** 2017 promises to usher in plenty of changes, especially on the regulatory and accounting fronts. Addressing the following big three accounting changes should be at the fore-front of efforts. Also, remember to bring the readers of your financial statements up to speed on the status of all FASB accounting standard updates that are expected to have a material impact, including the three addressed below. SEC staff warned attendees at the *AICPA - Conference on Current SEC & PCAOB Developments* in early December, 2016, that they expect to see customized updates on impacts and implementation status in the spirit of *SEC's Staff Accounting Bulletin – Topic 11M guidance*.
 - a. **Revenue from Contracts with Customers (ASC Topic 606):** If this is grabbing your attention now for the first time, you are likely in trouble considering the vast disclosure implications for all U.S. GAAP organizations, and even deeper implications for many industries. Don't count on a second FASB deferral of the effective date! You should be finalizing your implementation plan for this new standard. It is effective for public companies in 2018 and nonpublic entities in 2019, with earlier application permitted in 2017. Do not underestimate this effort as there are several important decision points that will likely involve departments well beyond accounting, including operations, IT and legal.
 - b. **Leases (ASC Topic 842):** An implementation plan should be underway for this new lease accounting standard, which is effective a year after the new revenue recognition standard with early application permitted. Refer to my recent article entitled [New Lease Accounting Standard Can Trigger Dramatic Changes](#) for more information.
 - c. **Financial Instruments - Credit Losses (ASC Topic 326):** Although the effective dates of 2020 for public companies and 2021 for nonpublic organizations may seem like a long way off, this is a big one that should be acted upon early. This one will impact every organization on U.S. GAAP since it will affect loans, debt securities and trade receivables. Considering its significant impact to financial reporting processes, take advantage of the lead time to read it in 2017 and to begin early implementation efforts.



8. **Address cybersecurity risks:** It seems that no top-10 list these days can escape the wrath of this topic, and rightfully so. The New Year will likely see continual upticks in cybercrimes, especially of the cyber extortion variety (i.e., ransomware). Hackers are getting really good at disguising attachments and hyperlinks through emails to launch their ransomware to hold your files hostage. Taking precautions immediately is a necessity to help protect your organization. These actions should include:
 - a. Backing-up important files frequently.
 - b. Developing and maintaining a culture of extreme caution. Everyone throughout the organization, as well as external parties who may have access to your files and systems, should be educated not to click or open anything unless they are 100 percent positive of the source.
 - c. Applying security and antivirus software updates in a timely manner.

9. **Conclude on a 2017 plan:** Put it in writing, but keep it simple so you don't create a documentation monster. Leverage the *Internal Control—Integrated Framework* (Framework) from the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Applying the Framework's five components and 17 principles is a great way to address all operating, compliance and reporting objectives. Disseminate the Framework's [Executive Summary](#) to others, both within and outside your department, to take full advantage of it.
 - a. What is the impact to your people, processes and technology for 2017?
 - b. Who will deliver on plan elements? Identify appropriate external resources for items requiring expertise, education or support beyond available internal resources.
 - c. What are the costs versus benefits of plan elements?

10. **Revisit the plan at least quarterly:** Understand that annual plans should not be viewed as static, but rather as 'ever-changing' to address new objectives, risks and controls to mitigate risks.
 - a. Are update considerations built into our planning process?
 - b. To whom and how will significant changes be escalated?
 - c. Are we adequately linking objectives, risks and controls in a timely manner to empower our decision making processes?

While there are surely many other credible action items to ponder for 2017, hopefully this list gets you started. Good luck and have a great 2017!

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