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Dave McClure • Jan. 28, 2014

From The Bleeding Edge blog.

In the wake of the recent identity theft of some 40 million accounts from retail merchant Target, and the potential for massive theft from the health care exchanges set up under the Patient Protection and Affordable Care Act (ACA), consumers are again left bewildered — and looking for someone to take the lead in crafting a solution. They want someone to help in establishing a set of formal processes to protect the assets of businesses and individuals against this new and pernicious Identity Theft.

The industry best suited to take that lead, and build formal systems for remediation of identity theft, is very likely the accounting industry. There is a service to be provided, and an opportunity to be established for accounting in the 21st Century, if firms work to formalize an Identity Theft Remediation (ITR) practice area, along the same lines as other practice groups within the firm.

There is plenty of precedent for doing so. Seven thousand years ago, when humans needed to account for the growth of crops and animals, the Assyrians of Mesopotamia invented accounting (or at least got credit for doing so – there is a stone plaque from South Africa some 7,600 years ago showing indications of rudimentary accounting as well).

It was the Romans who made accounting a fine art, and we honor them today with the terms we use — 'Debit,' is Latin for 'he owes' and 'Credit' is Latin for 'he trusts'.

Then there was Luca Pacioli, with the invention of double-entry bookkeeping; the

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Accountants need to take a formal stand on identity theft and remediation.

We are uniquely qualified to do to – we have the accounting and finance knowledge to help weave through the true and false accounts, and we have the mechanisms in place through our national and state accounting societies and organizations to create the rules and systems to help protect economies the world over from such theft.

Law enforcement has tried to tackle this problem, but is limited by their roles in investigation and prosecution. The legal industry is required to play both offense and defense in the courts, limiting their ability to solve the problem as well. The credit card industry is caught between the dual roles of collecting fees for each transaction (including illegal ones) and trying to limit their own liabilities for the theft.

Most other industries do not have the unique combination of accounting, audit and technology skills to get the job done. Our industry does, and can find a new and critical role in society by doing so.

Here is what I propose:

- That we look to organizations such as the American Institute of CPAs (AIPCA), National Institute of Tax Preparerers (NATP) and the National Society of Accountants (NSA), as well as other

state and national professional organizations to which we belong to address this problem from an accounting perspective – forming task forces and committees for the purpose of proposing to business and individuals the best practices needed for protection against identity theft, and promulgating these to the industry. As well as a

new set of guidelines for accounting and tax firms that wish to create their own

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theft – accountants who understand the issue, can work with financial institutions and law enforcement, and can protect their clients against further damage.

Who would pay for this new practice are? In other industries, payment is collected from the criminals, once identified. That is, the first line of payment would be from the businesses or individuals themselves, in the same manner that accountants direct-bill their clients for other services. The secondary line of payment would be for accounting firms to sue for recovery of stolen assets, and take a percentage of whatever they are able to recover for their clients.

The goal is not for accounting firms to become enforcers of the law, or even arbiters of the law, but rather the trusted partners who step into the lives of their clients in a time of severe need and help to make the fiscal situation right. And that is, at the core, what accounting is all about.

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