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Permitted Purpose Test	Technologically in Nature	Technical Uncertainty	Process of Experimentation
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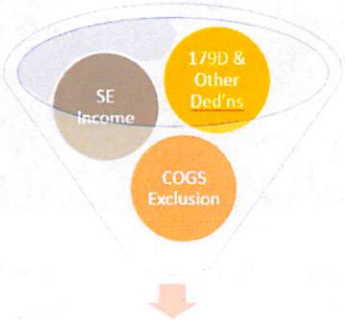
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174 R&E – We are helping CPAs provide strategy and options to mitigate risk and potential solutions to offset costs due to the 174 Amortization issue.

Opportunities for Mitigation and Improvement:



Improved 174 Analysis



Jasmine Nouri
Account Manager
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Construction	✓		✓		
Multi-Family Developers		✓	✓	✓	✓
Home Builders	✓	✓		✓	✓
Real Estate Owners/Investors		✓	✓	✓	✓
Software/Technology	✓				
Manufacturing	✓		✓	✓	
Distribution & Logistics	✓		✓	✓	
Gov. & Tax-Exempt Bldg. Owners			✓	✓	✓

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WHAT IS FTC SAFEGUARDS AND WHY IS IT IMPORTANT?

ISCPA 2025 ROI SERIES

Presented By:
John Hansman
CEO - Truit

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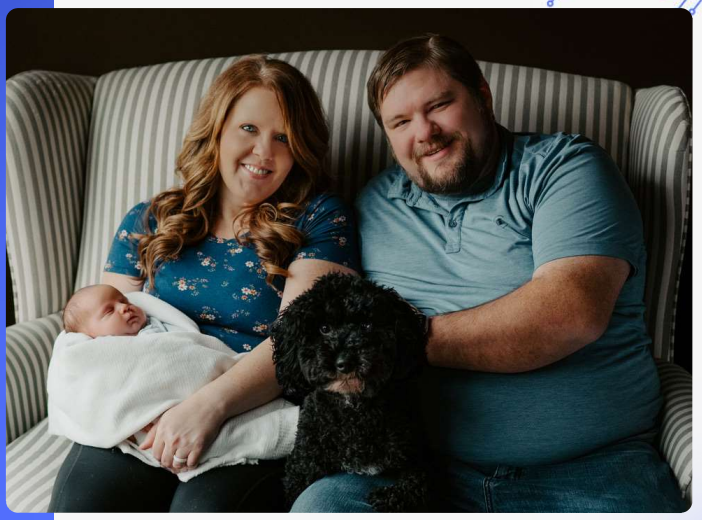
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Mission

Empowering businesses of all sizes with customized cybersecurity solutions and strategic IT planning—ensuring they feel secure, supported, and ready to grow.

Vision

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IN THIS SESSION YOU'LL LEARN:

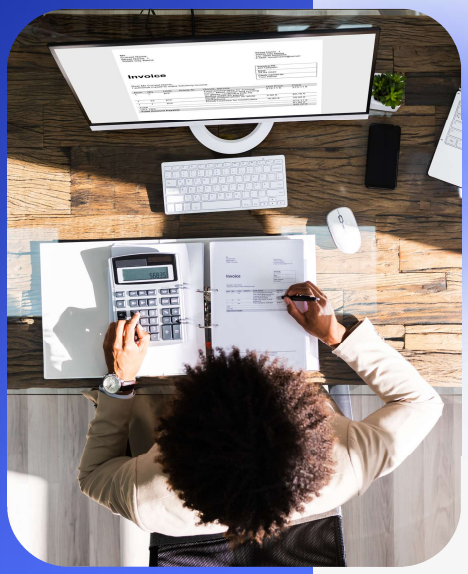
- WHAT THE FTC SAFEGUARDS RULE REQUIRES
- WHY IT MATTERS FOR CPA FIRMS
- STEPS TO COMPLIANCE WITHOUT OVERWHELM
- HOW LARGER FIRMS CAN SCALE COMPLIANCE EFFORTS
- ACTION ITEMS TO IMPLEMENT IMMEDIATELY



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WHY CPAS ARE TARGETED

- CPAs handle sensitive data: tax returns, payroll, bank statements, SSNs
- That data = high value on the dark web
- Attackers know CPA firms are often under-protected
- Breach = lost clients, lawsuits, reputational damage

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“Hackers don’t discriminate. They go where the money is and for them, your client data is the jackpot.”

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WHAT IS THE FTC SAFEGUARDS RULE?

- FEDERAL REGULATION UNDER THE GRAMM-LEACH-BLILEY ACT (GLBA)
- FEDERAL REGULATION UNDER THE GRAMM-LEACH-BLILEY ACT (GLBA)
- APPLIES TO FINANCIAL INSTITUTIONS — INCLUDING CPA FIRMS
- PURPOSE: PROTECT CONSUMER FINANCIAL DATA



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“If you handle client financial data, you are considered a financial institution under this law. And that means you must comply.”



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WHO MUST COMPLY?

All CPA firms are covered if they handle client financial data.

- Solo practitioners, small firms, mid-size, and large firms all qualify as “financial institutions” under the law.
- Even the smallest CPA firm qualifies. The law doesn’t carve out exceptions based on firm size.

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THE EXEMPTION FOR SMALLER FIRMS

What’s the deal with the exemption?

- Applies if your firm handles fewer than 5,000 consumers
- A “consumer” = any individual whose financial info you handle for personal, family, or household services (not just paying clients)
- The exemption eases documentation and reporting, not the core safeguards

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WHAT'S EXEMPT VS. STILL REQUIRED

Exempt (<5,000 consumers):

- Written risk assessment
- Testing/monitoring of safeguards (e.g., pen tests, vuln scans)
- Written incident response plan
- Annual report to governing body by the qualified individual

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WHAT'S EXEMPT VS. STILL REQUIRED

Still Required (for everyone):

- Encryption of customer data in transit and at rest
- Multi-factor authentication (MFA)
- Secure disposal of customer data when no longer needed

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WHY 5,000 ISN'T AS HIGH AS IT LOOKS

Customer counts add up fast:

- A married couple's return = 2 customers
- Payroll for a 10-employee business = 10 customers
- Prospects can count if you store their sensitive info
- Past records count until securely disposed

Reality check:

- 400 individual tax clients (many couples) = 800–1,000 customers
- Add payroll/bookkeeping = numbers jump quickly
- Multi-year retention = your count grows even if your client list doesn't

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WHY THIS MATTERS + NEXT STEPS

- The 5,000 threshold is easier to hit than most firms realize
- Many "small" firms are already over it without knowing
- The exemption isn't a hall pass — it just reduces paperwork
- Core safeguards (encryption, MFA, secure disposal) always apply

Next Steps:

- Tally your consumers carefully (include affiliates/vendors where data flows)
- Document your determination if you claim the exemption
- Reassess regularly — the exemption disappears once you cross 5,000

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THE INTENT OF THE RULE

- Protect client data from theft, fraud, misuse
- Standardize how firms safeguard information
- Increase consumer confidence in professional services

If clients trust you with their most sensitive information, regulators expect you to safeguard it.

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WHY NOW?

INCREASED ATTACKS	LAW ENFORCEMENT	INSURANCE COMPLIANCE
Explosive rise in ransomware and phishing attacks	FTC stepping up enforcement in financial services	Cyber insurance carriers demanding compliance proof

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THE 7 CORE COMPLIANCE REQUIREMENTS

APPOINT A SECURITY LEAD

someone has to own compliance.
Without a leader, everything else stalls.

CONDUCT RISK ASSESSMENTS

A risk assessment shows you where you're most vulnerable.
You can't protect what you don't know you have.

CREATE A WRITTEN INFORMATION SECURITY PROGRAM (WISP)

A WISP is not a binder collecting dust. It should be a living, breathing guide to how your firm secures client information.



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THE 7 CORE COMPLIANCE REQUIREMENTS

IMPLEMENT SAFEGUARDS & CONTROLS

This is the technical side — the locks and alarms of your digital office.

TRAIN EMPLOYEES REGULARLY

Most breaches happen because of human error. Training is your first line of defense.

OVERSEE VENDORS

Your security is only as strong as your weakest vendor.
If they get hacked, your client data may be exposed.

BUILD AN INCIDENT RESPONSE PLAN

The worst time to figure out your plan is in the middle of a crisis. Testing ahead of time makes all the difference.



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APPOINT A SECURITY LEAD

- Must be a qualified individual
- Reports to firm leadership
- Small firms: often a partner or IT provider
- Larger firms: full compliance manager or team

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CONDUCT RISK ASSESSMENTS

- Identify: data, systems, access points
- Assess: vulnerabilities and risks
- Update annually or after major changes
- Larger firms: use external audits or enterprise-level tools

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WRITTEN INFORMATION SECURITY PROGRAM (WISP)

- **Your official security plan**
- **Must cover: access controls, passwords, storage, disposal, vendor use, incident response**
- **Living document — reviewed annually**
- **Larger firms: department-specific policies rolled into one WISP**

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IMPLEMENT SAFEGUARDS

- **Encrypt data at rest & in transit**
- **Multi-Factor Authentication (MFA)**
- **Firewalls, patching, antivirus**
- **Larger firms: centralized monitoring, SOC services**

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EMPLOYEE TRAINING

- Teach staff to spot phishing attempts
- Train on password hygiene and safe data handling
- Refresh annually or quarterly
- Larger firms: role-based training, LMS, phishing simulations

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VENDOR OVERSIGHT

- Payroll, tax software, cloud storage, IT providers
- Require contracts with security clauses
- Review vendors annually
- Larger firms: vendor risk management programs with questionnaires & scorecards

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INCIDENT RESPONSE PLAN

- Who does what in a breach
- Communication plan: staff, clients, regulators
- Annual testing
- Larger firms: cross-office "tabletop" simulations

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BASELINE COMPLIANCE (ALL FIRMS)

ASSIGN COMPLIANCE OFFICER	ENCRYPT LAPTOPS AND FILES	DRAFT A 2–5 PAGE WISP	TRAIN STAFF ANNUALLY

"This is the minimum bar every CPA firm must clear."

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SCALED COMPLIANCE (LARGER FIRMS)

- COMPLIANCE MANAGER OR TEAM
- CENTRALIZED MONITORING ON OFFICES
- QUARTERLY PHISHING TESTS
- BOARD-LEVEL CYBERSECURITY REPORTING

"For larger firms, compliance becomes part of governance and risk management. Clients expect enterprise-level protections."

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WHY LARGER FIRMS FACE HIGHER RISK

- Bigger attack surface = more staff, devices, vendors
- Client RFPs demand compliance proof
- Breach in one office damages the entire brand

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90-Day Roadmap

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DAYS 1–30

- ASSIGN SECURITY LEAD
- MAP WHERE CLIENT DATA LIVES
- START RISK ASSESSMENT

Your first month should focus on leadership and visibility — who's responsible, and where is your data?

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DAYS 31–60

- DRAFT WISP
- ROLL OUT MFA FIRM-WIDE
- ENCRYPT DEVICES
- BEGIN VENDOR REVIEWS

Month two is about putting structure in place — documented policies and core protections.

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DAYS 61–90

- TRAIN STAFF
- TEST BACKUPS & RUN TABLETOP EXERCISE
- DOCUMENT COMPLIANCE PROGRESS

By the end of 90 days, your staff should be trained, your data protected, and your response plan tested.

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CASE STUDY: SMALL FIRM BREACH

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SALLING MADELEY PLLC (AUSTIN, TX, 2022)

What happened
A part-time employee clicked a phishing email disguised as a Microsoft login. The attacker also captured the MFA code, gaining access to the client portal.

Impact
Client tax data was exposed, and the firm had to launch a full 90-day breach investigation.

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SALLING MADELEY PLLC (AUSTIN, TX, 2022)

Outcome
Because the firm had an incident response plan, they detected the intrusion quickly and cut access within 15 minutes, limiting the damage.

Lesson
Even small firms with MFA can be breached. Quick detection and response are critical to minimize fallout.

Source: Journal of Accountancy, June 2025

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CASE STUDY: MID-SIZED CPA FIRM BREACH

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EXCEL DATA EXPOSURE (U.S., 2024)

What happened

A mid-sized CPA firm mistakenly uploaded an Excel file containing thousands of client SSNs and financial details to a shared server without encryption. The file remained publicly accessible for months.

Impact

Sensitive client information was exposed, triggering breach notifications, loss of trust, and regulatory scrutiny.

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EXCEL DATA EXPOSURE (U.S., 2024)

Outcome

The firm spent tens of thousands on legal fees, remediation, and client credit monitoring.

Lesson

Breaches aren't always caused by hackers—simple process errors and poor data handling can be just as costly.

Source: Whizkids Tech CPA Breach Report, 2024

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CASE STUDY: LARGE CPA FIRM BREACH

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LEGACY PROFESSIONALS (CHICAGO, IL, 2024)

What happened
Legacy Professionals, a large regional CPA firm, experienced a breach that compromised client and employee data, including SSNs, driver's licenses, and health plan records. Nearly 191,000 individuals were affected.

Impact
The firm faced lawsuits, regulatory scrutiny, and reputational damage on a national scale.

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LEGACY PROFESSIONALS (CHICAGO, IL, 2024)

Outcome
They were forced to provide credit monitoring, manage legal challenges, and handle significant financial costs.

Lesson
At scale, breaches bring massive legal exposure and headlines. Larger firms must adopt enterprise-level security and compliance.

Source: Comparitech & HIPAA Journal, 2024

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KEY TAKEAWAYS

- FTC Safeguards Rule = mandatory for CPA firms
- Protects against fines, breaches, and client loss
- Larger firms = higher visibility + bigger risks
- Compliance requires:
  - Security lead
  - WISP
  - Risk assessment
  - Vendor oversight
  - Ongoing training
- Documentation = proof for regulators and insurers



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ACTIONS TO TAKE

DO THIS WEEK

- Assign a compliance/security officer
- Start your risk assessment (map where client data lives)
- Enable MFA firm-wide (email, portals, VPN)

DO THIS QUARTER

- Draft your WISP
- Train staff on phishing & data handling
- Run your first incident response tabletop



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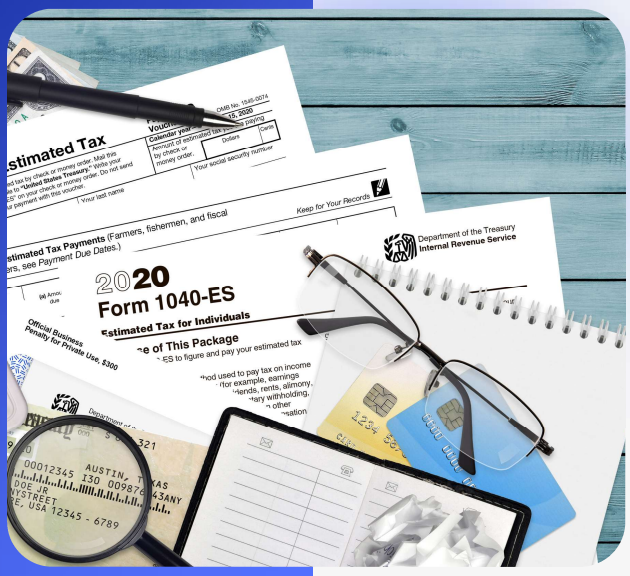
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THANK YOU!

Take the Next Step Today

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