

Accountability

Issue X

WHAT DOES IT MEAN TO HAVE POOR INTERNAL ORGANIZATION?

The outcome on many lawsuit cases hinges upon the accounting firm's failure to follow up on established procedure.

There are signs of a poorly organized firm that if not considered by its members, they will surely be addressed by the prospective clients and insurers. - not to mention plaintiff attorneys in liability cases:-

Inadequate filing and maintenance of records

Unkempt offices and messy paperwork

Lack of records and documentation of engagement and projects . The CPA firm can leave itself open to successful litigation if it cannot find documentation to support its defense. This lack of documentation can also prevent the firm from including sufficient disclosure in the financial statements and work products of its engagements.

A pattern of falling behind in work, scrambling to get the project done resulting in late delivery of the work. This is typically the result of 1) the firm engaging with too many clients who it cannot service thoroughly or competently or 2) the firm who maintains personnel, including management, who harbor poor attitudes.

Regardless of which organizational structure you choose (sole proprietorship, partnership or professional corporation), you must have some method to identify, reduce and eliminate potential liability exposures. The *effectiveness* of a CPA's office is a function of its organization.

PROTECTING YOUR PRACTICE

The key to protecting your practice requires commitment on the part of the firm's management to develop policies and procedures in the following areas:-

- * **Diary Systems** - Alerts the CPA to all time deadlines
- * **Dual Entry Calendars** - Support person maintains a central or firm calendar to document time sensitive requirements while one is also maintained by the individual accountant.
- * **Conflict of Interest Systems** - Prior to any new matter being accepted , a check for possible conflicts must be made.
- * **Checklists** - Many professional societies publish practice-oriented manuals, often containing suggested practice checklists.
- * **Quality Control Systems** - should include elements such as assigning personnel, supervision of work, maintaining independence, professional development and acceptance of client.
- * **Education/Training** - More than half of all lawsuits brought against CPAs are caused by CPAs working outside their area of expertise.
- * **Billing Procedures** - No engagement should be undertaken without some assurance that the client can pay for your services.
- * **Documentation/Filing** - All engagement files should contain a detailed account of the work performed, any communications with the client and the reasoning behind any decisions made.

- * **Record Retention** - Safest policy is to keep all records indefinitely.