

CPA Tax Practice Risk (Malpractice) Management Prudence—10 Recommendations

David Tate, Esq. (San Francisco)

<http://davidtate.us>

tateatty@yahoo.com

1. Although this should be obvious—be technically competent for the engagement. Be honest and realistic about your competency. Decline the engagement if you are not technically competent. If you decline the engagement, do so promptly, and in writing.
2. Be informed about deadlines. Decline the engagement if you cannot realistically meet any of the deadlines. If you decline the engagement, do so promptly, and in writing.
3. Have a written engagement agreement with the client. And, if necessary, also specify the work or matters for which you will not be responsible. Update the engagement agreement if the engagement changes.
4. Be careful about and prudent when working with others or relying upon their work, consulting or advice. This recommendation is difficult to address because the nature and complexity of engagements vary significantly. Let's just say that everyone involved in the engagement needs to be sufficiently connected and informed, communications between everyone involved in the engagement need to be sufficient and prudent, and in many (perhaps most or all) circumstances the client should engage and have an engagement agreement with the other people who are involved in the engagement, or at least should consider such. For that matter, also be careful and prudent about recommending the services of others to the client. These situations can expose you to additional liability for the work, consulting or advice of others, and can lead to miscommunications, delays, misunderstandings, and other problems. As prudent, in these circumstances consider whether to seek legal and/or carrier advice.
5. Communicate, communicate, communicate, promptly and regularly, and in writing on important matters, but also be careful about what you say and how you say it.
6. Note/record important information and representations in writing for your records during the engagement, but also be careful about what you say and how you say it.
7. As prudent, and as expected, regularly update the client in writing. Of course, the timing and extent of updates in part will also depend on the nature and length of the engagement, and on the importance and extent of the ongoing engagement activities. Include in the update such

matters as information and things that you have and don't have; important client representations and information provided; issues, information and things that are holding you up or delaying you and why; additional information or things that you need and how and when you expect to obtain them; what you have completed, what you will be completing next, and by when; whether the engagement is on budget or if the budget needs to be updated or modified, etc. Is it clear that you are in agreement with the client on the important matters, and that things are progressing as they should throughout the engagement?

8. Don't acknowledge wrong doing, or that you would have done something different, or that you wished that you had done something different. Talk to legal counsel about these situations.

9. Seek legal and carrier help/advice promptly if you sense potential client or engagement liability issues, or a significant adversarial situation. Remember, potential and actual liability, and disputes can be avoided and/or mitigated and resolved.

10. When the engagement is over, promptly conclude the engagement with the client, and in writing.

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