

Avoiding Accounting Malpractice

Time and again, the same types of claims face accountants arising from provision of accounting services to clients. Careful consideration of the common issues below can help an accountant avoid or, at least defend against, malpractice claims.

1. Understand your obligations when providing bookkeeping services, either within the scope of the engagement agreement or as an added service later. If embezzlement is later discovered, the accountant is often blamed. Carefully crafted limitations in the scope of engagement, as well as detailed communications with clients in writing, can protect against these claims.
2. Take care when providing accounting services to personal contacts. In particular when an accountant provides auditing services, a lack of objectivity can be claimed where the accountant is friendly with the business owner or perhaps has an interest in the business.
3. Always use an engagement agreement, and make sure the client signs the agreement.
4. Clarify your client's expectations and minimize misunderstanding about the services to be provided.
5. Do not give clients advice in areas beyond your area of expertise.
6. Be cautious when providing accounting services to entities in which you are a member of the board or have an ownership interest. Claims of insider dealing or lack of objective practices can arise.
7. Develop a system of internal calendaring and keep track of deadlines.
8. Ensure you have made all necessary disclosures and obtained waivers when providing services to more than one party to a transaction.
9. Use appropriate disclaimers in prepared financial statements.
10. Keep up to date on education and training.