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One way to help avoid a professional liability claim is to be aware of the evolving exposures within the profession. The following is a list of five top areas of concern for CPAs in 2015:

1. **Data Protection**

While most people think of a privacy data breach as being the result of a hacker

vice president at Aon Affinity's Professional Firms Division. "If you're preparing taxes all over the country, do you know the breach notification laws for all 50 states? Do you have a breach response team in place and are you ready to engage them? That's a component of a good network risk policy. If not, you'll be hiring one last minute and will pay a premium to comply with the law."

2. **Mergers**

Prior to 2008, large regional CPA firms were accustomed to double-digit growth. When the recession hit and business slowed, merger and acquisition activity increased dramatically. When two firms merge, it's one of the single highest exposure events that a firm will face.

"There are a number of issues that firms may not consider until it's too late," said Alvin Fennell, vice president of underwriting at Aon Affinity's Professional Firms Division. "You need to do extensive due diligence when looking at the firm you're acquiring. You need to ask the hard questions. What is their claim history and peer review history? Are you buying any 'land mines about to explode?'"

With the aging of the profession, a related, emerging issue of merger and acquisition is succession planning. Whether it's a first-generation firm transitioning to the next generation or they're acquired by a larger firm, engaging your insurance broker early in the process is a critical step to mitigating potential exposures.

3. **Fraud**

Employee theft can occur at any firm, including CPA firms, but it can be doubly catastrophic when it occurs at one of the CPA firm's clients.

"The exposure to the accounting firm is; you're my auditor, why didn't you catch it?" said Brammer. "It's not the accountant's charge to detect fraud; however, they consistently have the finger pointed at them as the person to blame. It continues to

4. Engagement Documentation

An engagement letter outlining the scope of accounting services to be provided, signed by the client, reviewed and updated every year, is a CPA firm's first line of defense against professional liability claims.

"There was a time when CPAs didn't use engagement letters," said Brammer. "Those days are long gone. Now an engagement letter might be five pages long. Will that prevent a client from suing you? No. But it is the single best tool at the disposal of your defense counsel when there is a claim."

Where firms may get into trouble is with 'engagement creep.' The firm may have started out preparing taxes, but is then requested to conduct an audit or provide wealth management advice. Before long the CPA is a client's advisor on a multitude of services, all of which need to be documented.

A new issue that may escape documentation is the Affordable Care Act. As CPAs are hired to provide tax advice regarding the ACA, if a CPA is working outside of the scope of their expertise, they should refer the client to a specialist or document where their responsibility begins and ends.

5. **Wealth Transfer**

With the baby boomer generation approaching retirement age, CPAs are increasingly hired to assist clients in transferring their estates. Professional liability issues can arise when a CPA is called in to act as a financial advisor, trustee or executor for the client—not the beneficiary.

"The beneficiaries may each have their own attorney," said Fennell. "The first thing on their mind is: there's a million dollars, could there have been more? That million dollars could have been $1.2 million if this and that had happened. That's $200,000

Kenneth J. Mackunis (ken.mackunis@aon.com) is an executive vice president at Aon Affinity, the endorsed provider of the American Institute of Certified Public Accountants (AICPA) Professional Liability Insurance Program since 1967. For more information call 215.773.4653 or visit cpai.com.

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