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Helping a client by providing CFO services may sound like a smart way to increase revenue and solidify the client relationship – but CPAs in public practice need to be aware of the related risks.

“Professional liability insurance policies generally exclude coverage for services rendered when the policyholder also performs management duties or assumes management responsibilities on behalf of the client,” says Dave Sukert, JD, a senior vice president at Aon Affinity.

“Additionally, it doesn’t matter whether a formal title like CFO is used to describe these activities,” said Sukert. “Once an allegation is made that a CPA performed management duties for a client, it raises a potential insurance coverage problem associated with exclusions that exist in all professional liability policies. *CPAs are consultants*. Once you start performing management duties, or your client thinks you are doing so, you’ve crossed the line.”

An old issue, now an emerging risk

“This issue has been around for 20 years,” said Ken Mackunis, the president of the AICPA Professional Liability Insurance Program. Today, many clients run their businesses online, and with the technology available, they can ramp up business growth in months, rather than years. Many of these owners lack the skills to manage rapid business growth, so they turn to their CPA. It’s a great new business opportunity.

“The good news,” Mackunis said, “is that CPAs do not have to decline this type of

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making exposure changes.

If your client actually needs a CFO, consult with both your lawyer and your insurance broker about potential legal and insurance coverage issues before deciding how to proceed. Depending on the circumstances, it may be appropriate to have your lawyer draft an independent contractor agreement for you that limits your legal liability while performing this function for the client. While this will result in payment of income taxable to you individually, it may be a more effective way to both help out the client and protect you and your CPA firm from liability under the circumstances.

Risk management guidelines

- **Be specific when you market your services**

The work needed by these types of clients usually consists of traditional tax, accounting and consulting services. Promoting managerial or CFO services in advertising materials creates an expectation that you can serve in a senior management role for clients. A more effective means of communicating about your services is to promote it as “... outsourced tax, accounting and consulting services.”

- **Do NOT make management decisions**

Stay in your consulting role. Provide written recommendations to the client, requiring the client to make all management decisions, and to provide their decision and instructions *in writing*. Emails can be written quickly, and serve as important evidence in the event of a misunderstanding or dispute later. Communicating by phone may leave room for error. If there is an email chain confirming conversations, lawsuits by clients are less likely to be filed – and if they are, the written communications can serve as critical evidence both in your defense and in avoiding a coverage dispute.

- **Do NOT sign contracts for the client**

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cases, these will be the Statements on Standards for Consulting Services (SSCS) and the Statements on Standards for Tax Services (SSTS). During the engagement, the client may also request that financial statements be prepared or compiled for their use; these services are subject to the Statements on Standards for Accounting and Review Services (SSARS). When new services are added, issue an updated engagement letter describing them, and listing the applicable standards. Have the client sign the letter before rendering these services.

- **Stay within your scope of service**

Once the scope of services has been defined, do not stray into performing services not covered by the professional standards listed in the engagement letter. Review the content of SSCS, SSTS and SSARS. Performing management duties or making management decisions for a client are not within the scope of these standards.

“My client is a friend. They would never sue me.”

Even if a CPA-client relationship has been close for many years, that can change when the client finds themselves in dire financial straits and they're looking for someone to blame.

Work with these simple precautions in mind, and you'll better protect yourself, your CPA firm, and your client relationship.

Alvin Fennell III is the vice president of underwriting at Aon Affinity, the administrators of the AICPA Professional Liability Insurance Program since 1967. Al has over 25 years' experience working with the Program. Joseph Wolfe is a risk management consulting

working with Aon Affinity. Previously he worked with the Program's underwriter, CNA.

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