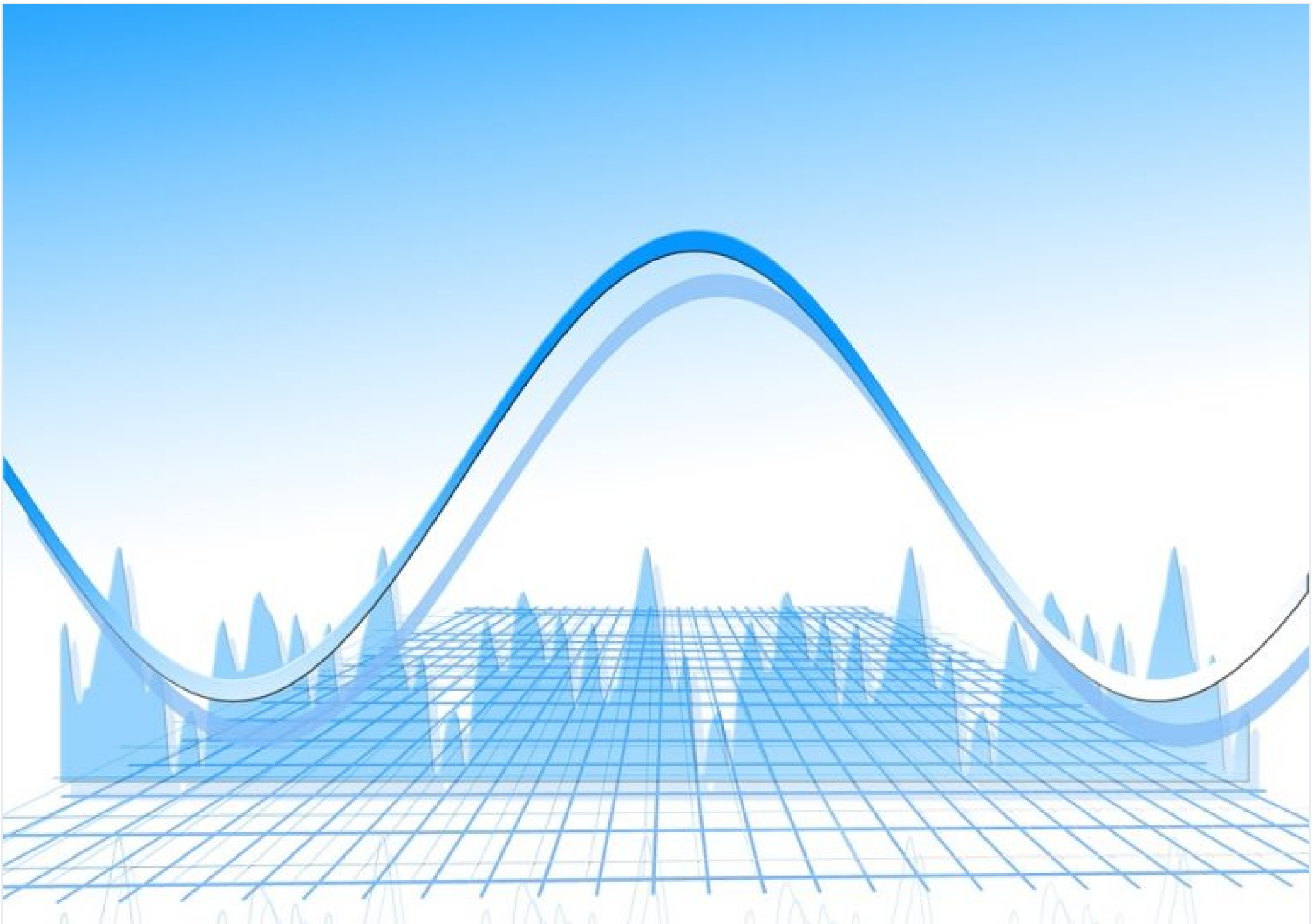
guidance for CPAs in public practice as well as those in private business.

Mary Girsch-Bock • Aug. 15, 2022



Conflicts of interest can arise in any profession, and CPA firms are no exception. While the AICPA has always acknowledged the possibility of a conflict of interest arising in the accounting profession, what constitutes a conflict of interest had not been clearly defined. They have taken measures to correct that, offering a revised code on conflicts that may arise, with expanded guidance for CPAs in public practice as well as those in private business.

The current AICPA framework consists of three distinct areas:

in a variety of ways, including confidentiality agreements, limiting access to confidential documents within the firm, having an independent third party oversee the engagement, or declining the engagement.

3. **Consider matters relative to disclosure and consent** – If a conflict is present, you must disclose details about the potential conflict and the nature of the issues that may appear. Once the client has been notified, it’s up to them to determine whether to continue with the engagement. Consent must be provided to the firm in writing. If the client neither consents nor declines, it’s important that any requested services not be performed.

Unfortunately, it may not always be clear before an engagement that a conflict of interest exists. If that’s the case, then the conflict must be mitigated by either terminating the existing agreement or removing the circumstances surrounding the conflict.

These are just a few examples of potential conflicts of interest that may require further investigation:

- Your client comes to you for advice on new investment likely opportunities. They are interested in a new start-up venture that clearly fits with their investment goals and interests. The only problem is that you’re one of the original investors in that same startup.
- The Smiths have been clients of yours for years, where you have provided everything from asset valuation to financial planning. Now the Smiths are divorcing, and both want you to continue providing the same services.
- Client A is interested in acquiring Company B and wishes to have you advise them. The only problem is that Client C is also interested in acquiring Company B as well.

- A current client approaches you with a request to forensically investigate a

To reduce the risk that conflicts of interest can pose to your firm, be sure to be proactive; identifying potential risks and taking the appropriate steps to mitigate the risk. And while some conflicts can be managed by putting the appropriate safeguards in place, others may pose too significant a risk to undertake. But only by being aware of these risks and taking the appropriate actions can the appropriate decision be made.

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