



Practical Guide to CPA Risk Management

Presented by:
Bill Thompson, CPA RPLU
CPA Mutual RRG
Alachua, FL



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“I don’t give anyone advice only my opinion”

John Wooden

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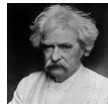
What if the facts don't support the Claim?

"Facts are stupid things."

Ronald Reagan



"If the facts don't fit the theory, change the facts." Albert Einstein



"Get your facts first, and then you can distort them as much as you please."

Mark Twain

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Post Enron

- CPAs in the cross hairs
- Increase in litigation and settlement cost
 - Fewer motions granted for summary judgment
 - Impartial juries?
- Legal System
- Current Economic Climate

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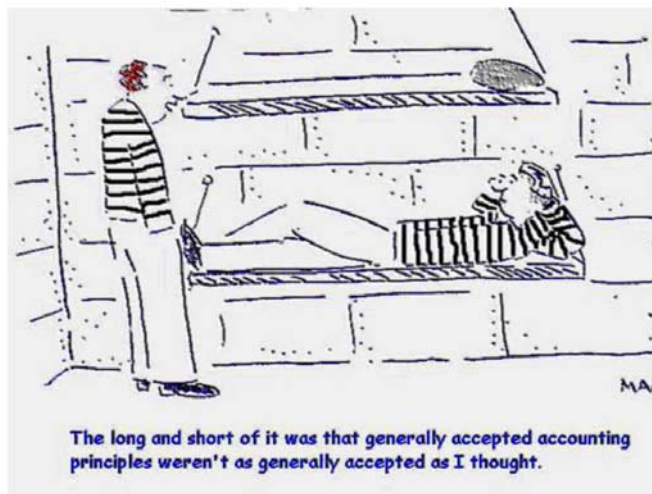
What risks/cost are you trying to manage?

- Professional and firm reputation
- Money
- Insurability
- Time

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Professional and Firm reputation



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Claim Stats (05/24/2012)	Total Pd and Incurred		Number of claims/In cidents	
Acct Services	\$7,375,421	4.77%	290	13.97%
Audits	\$ 77,029,520	49.78%	471	22.69%
Business Advice	\$844,961	0.55%	52	2.50%
Compilations	\$ 7,716,305	4.99%	116	5.59%
Data Processing	\$388,396	0.25%	17	0.82%
Fiduciary	\$2,719,029	1.76%	60	2.89%
Investment Advice	\$4,997,255	3.23%	57	2.75%
Litigation Support	\$848,116	0.55%	43	2.07%
MAS	\$2,885,468	1.86%	20	0.96%
Reviews	\$ 10,740,007	6.94%	93	4.48%
SEC	\$5,654,801	3.65%	27	1.30%
Tax	\$ 33,543,027	21.68%	830	39.98%
Totals	\$154,742,306		2,076	

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Audit	Total Paid and Incurred	\$ Percentage	Claims/In cidents	Claim Percentage
A/R	\$ 1,221,675	1.6%	13	2.8%
GAAP Dept	\$ 672,031	0.9%	7	1.5%
GAAS Dept	\$ 4,092,137	5.3%	30	6.4%
Failure to detect	\$ 45,745,964	59.4%	121	25.7%
going concern	\$ 1,843,321	2.4%	12	2.5%
imp inv eval	\$ 2,505,048	3.3%	21	4.5%
other	\$ 5,552,407	7.2%	173	36.7%
% of Completion	\$ 88,213	0.1%	1	0.2%
Related Party	\$ 2,706,480	3.5%	8	1.7%
Und/Over Liab	\$ 12,602,245	16.4%	85	18.0%
	\$ 77,029,520		\$ 471	

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“WSJ: Is it an auditor’s job to try and find fraud?”

Mr. Nally: Absolutely. We have a responsibility to perform procedures that are detecting fraud just like we have responsibilities to perform procedures to detect errors in financial statements.”

“WSJ: You seem pretty certain, but the firms as a whole often eschew some responsibility for finding fraud, especially in court?”

Mr. Nally: The audit profession has always had a responsibility for the detection of fraud.

Accounting’s Crisis Killer, Wall Street Journal, 23 Mar 07, p. C2.

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Money

Tax	Total Paid and Incurred	\$ Percentage	Claims /Incidents	Claim Percent age		
Bus Improper advice	\$ 6,409,964	19.1%	99	11.9%		
Business Other	\$ 3,275,645	9.8%	141	17.0%		
Business Prep Errors	\$ 4,578,259	13.6%	112	13.5%		
S Corp Errors	\$ 1,018,381	3.0%	37	4.5%		
Timely Filing Errors	\$ 1,026,572	3.1%	34	4.1%		
Pers-Estate Tax	\$ 4,388,711	13.1%	85	10.2%		
Pers - Imp Advice	\$ 5,006,880	14.9%	86	10.4%		
Pers - Other	\$ 3,670,978	10.9%	80	9.6%		
Pers Prep Errors	\$ 2,655,114	7.9%	103	12.4%		
Pers - Timely Filing	\$ 1,512,523	4.5%	53	6.4%		
	\$ 33,543,027		830			

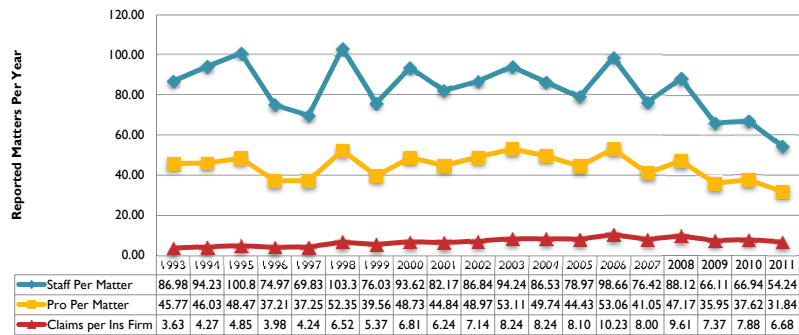
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TAX CLAIMS

- Improper or insufficient advice on §1031 exchanges
- Improper or insufficient advice on estate tax planning and late 706 filing
- Failure to advise on additional state filing obligations
- Improper or insufficient advice on §475 elections
- Missed credits/deductions after statute of limitations expires

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Matters Per Staff and Prof Staff



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Insurability

- Limits
 - Per claim and aggregate
 - Noncumulation of limit provision
 - Prior Acts Date

- Deductibles
 - Per claim and aggregate
 - Defense
 - Indemnity

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Insurability



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Time

- Average Litigation > 5 years
- Average Claim 3-5 years
- 3 Claims **still** open over 10 years

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February 9, 2001 MAR 5 2001

Mr. Kent Keeling
 CPA Mutual Insurance Company
 2831 NW 41 Street, Suite E
 Gainesville, FL 32606-6690

98077

Insured: [REDACTED] & Company, P.C.
 [REDACTED], CPA
 Claim No. CPA 980777
 Matter: [REDACTED], Inc.

Dear Kent:

Pursuant to our conversation yesterday, please find details of costs incurred in defending [REDACTED] & Company, P.C., and J. [REDACTED], CPA, in connection with the above referenced case. As you know, [REDACTED] Company, P.C., and [REDACTED], CPA, were completely exonerated of the allegations. Obviously, to obtain such a verdict required extensive time, cooperation and preparation of the lawyers and defendants. [REDACTED], P.C., incurred expenses and lost time described below.

Lost time/trial depositions/preparation:

[REDACTED]	101.0 hrs @ 110.00	\$11,110.00
[REDACTED]	236.0 hrs @ 90.00	21,240.00
[REDACTED]	50.0 hrs @ 65.00	3,250.00
[REDACTED]	8.0 hrs @ 60.00	480.00
[REDACTED]	21.5 hrs @ 23.00	494.50
[REDACTED]	15.5 hrs @ 30.00	465.00
[REDACTED]	1.0 hrs @ 20.00	20.00
		<u>\$37,059.50</u>

Expenses:

Federal Express charges	\$510.59
Telephone	71.63
Travel expenses	265.65
Parking	70.00
Total Expenses	<u>\$917.87</u>

Total Lost Due to Litigation - \$37, 977.37.

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KEYS TO REDUCE RISK EXPOSURE

- CLIENT SELECTION
- CLIENT RETENTION
- COMMUNICATION

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What can you do to help reduce problem clients?

- Screen all Clients
 - Background checks
 - Credit reports
 - Criminal reports and DMV reports
 - Prior auditor inquiries
- Identify problem clients early:
 - Ask careful thorough questions
 - Be wary of fee resistance
 - Be wary of advice resistance
 - Trust Your Gut
 - Trust Your Staff

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What can you do to help reduce problem clients?

- Adopt client retention and acceptance policies and test your compliance – Rank your Clients
- Receive adequate fees for the risk assumed!
- Monitor client specific industries and be aware of changes in economic cycle
- Provide for easy access to legal counsel – assign “gate keeper”
- INDEPENDENCE/do not become an advocate
- Avoid complacency

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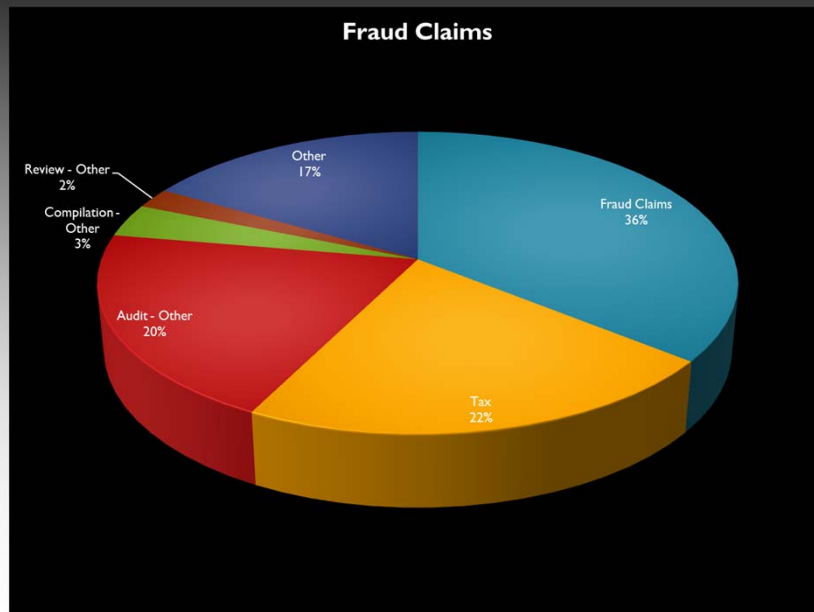
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Other Risk factors to consider relating to operating characteristics and financial stability – Identify Problem Clients

- Significant capital requirements
- Financials contain significant estimates involving highly subjective judgments or are subject to change in near term
- High vulnerability to rapidly changing technology
- High dependency on debt
- Unusually rapid growth
- Executive Compensation tied directly to operating results

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"Crooks for clients Wimps for accountants" - Accounting Today

- Most frauds are found at relatively small companies -
Median Assets - \$15.7m
Median Rev - \$13m
- 83% involve either the CEO or CFO
- Key motivation - Hype the stock price
- "Regional and local firms handle barely 10% of the nations audits but have 44% of the problem audits."
- "Big 3 unloading problem audits."

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KPMG Study – Analysis of Global Patterns of Fraud

Typical Fraudster –

- 36-45 yr old male
- Works in finance or finance related role
- Holds senior mgt position
- Employee of Company for >10 years
- Does not work alone
- Average time to detect fraud in 2011 is 3.4 years

Motivational Factors -

- Greed
- Trying to meet company goals

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What Happens to Fraudsters?

- 51% are Prosecuted
- 98% Prosecuted are Convicted
- 31% of Those Convicted Are Sent to Jail

SO HOW MANY IDENTIFIED PERPETRATORS SPEND MORE THAN ONE YEAR IN JAIL???

- 11%

What can you do?



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What Else can you Do?

- Professional Practices Dept
- Revise partner compensation
- Communication:
 - Internal
 - External

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3rd Party Communication

- Best policy is to refuse to provide them
- Request client send directly to 3rd party
- Obtain written permission from client before disclosure

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Communication: The Role of the Engagement Letter:

- Describes the scope of work to be done
- Explains limitations on the accountant's work
- Defines the client's responsibilities
- Describes fee arrangements and payment terms
- Satisfies professional standards
- Helps protect the accountant from unwarranted litigation
- Communicates in plain English!

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Engagement Letters and Lessons Learned:

- *Avoid engagement creep (or de-creep)*
- *Be very careful when coding time*
- *Familiarity breeds complacency*
- *Communicate ALL issues in writing*
- *Consider having the client initial important clauses*
- *Consider who signs the engagement letter*
- *Consider who receives the engagement letter*

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OTHER TIPS FOR DRAFTING ENGAGEMENT LETTERS

- Involve Legal Counsel in Developing Your Engagement Letters
- Periodically Evaluate any Changes in the Law Governing Engagement Letters
- Ask your Malpractice Carrier
 - Subpoena coverage clause
 - Limitation of liability and Indemnification agreements
 - “Stop Work” clause

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Engagement Letters

Subpoena Coverage Clause:

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, as set forth above, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

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Protect Your Firm with Indemnification Clauses

You may ask yourself, "Do I really need to get this engagement letter signed?" The answer is an emphatic, "Yes!" Read on. In case you haven't heard, Grant Thornton was a \$700,000 settlement from a former client. It seems this client wanted to blame Grant Thornton for its own failure. The client did this after lying to the auditors about internal problems that were previously noted by regulators.

How did Thornton prevail? The firm had inserted an indemnification clause in its engagement letter. The clause stated that if the client made any false representations to Grant Thornton, the client would be responsible for paying legal fees should a suit arise. This was a great idea that now has paid off in court.

Gary H. Barnes, who has represented CPA Mutual insureds since inception of the company, recommends using the following sentence in the paragraph of your engagement letter that describes client responsibilities:

(Client) hereby promises that it will make every diligent effort to maintain proper books and records that accurately reflect its business activities, that it will be completely truthful with (audit firm) and that (audit firm) may rely upon both oral and written statements and responses to questions. (Client) further promises to immediately advise (audit firm) if it becomes aware of any inaccuracy in its record-keeping or dishonesty in any of its business dealings, including its statements to (audit firm). (Client) acknowledges that these promises are the cornerstone of its relationship with (Audit Firm), are made to induce (Audit Firm) to accept this audit engagement, and that (Audit Firm) would not accept this audit engagement without such promises.

The SEC and some states forbid the use of indemnity clauses in engagement letters, but there is no prohibition about spelling out client responsibilities in a way (as above) that might allow the audit firm to later hold the client accountable for breaking its promises. In any event, laws vary from state to state, so it would be wise for you to consult with legal counsel in your state. Barnes also offers the following indemnity clauses that may help limit your firm's exposure to lawsuits. However, keep in mind that the use of some indemnification clauses may be prohibited by certain federal, state and/or local regulations applicable to your engagement. Further, some indemnity language appropriate for non-audit services may not be appropriate for audit services because of the accountant's duty to remain independent or other applicable professional regulations. Before selecting which indemnification clause is right for you, we recommend you consult with legal counsel in your state.

Suggested Limitation of Liability Clauses for Engagement Letters:

Damages Limited to Lesser of Actual Damages for Fees Paid
By signing this Engagement Letter, you agree that our liability arising from this engagement shall be limited to the lesser of any actual damages which may have been caused by our acts or omissions, or the amount of the fees which you pay for our services.

Damages Limited to Liquidated Damages Only
By signing this Engagement Letter, you agree that our liability arising from this engagement shall be limited to no more than ___% of the fees which you pay us for the performance of this engagement.

Limit Damages by Referral to Arbitration
By signing this Engagement Letter, you agree to submit any dispute concerning the quality or timeliness of our services to final and binding arbitration conducted under the Rules of the American Arbitration Association which pertains to the resolution of claims against accountants. The arbitrator shall have the authority to award compensatory damages, but only for such damages as found to have been directly and solely caused by acts, errors, or omissions committed in violation of our professional duties. The arbitrator (or one of the arbitrators) shall be a certified public accountant with at least ___ years of experience in public accountancy.

Indemnity for Defense Costs In Engagement Letters:

"Lower Pays" Agreement
Should suit be brought concerning the quality or timeliness of our performance of services in this engagement, it is agreed that the party who prevails shall be entitled to recover its attorney fees. If plaintiff is awarded judgment greater than the largest offer of settlement made within ___ days after the service of suit, plaintiff shall be deemed to have prevailed. Otherwise, defendant shall be deemed to have prevailed.

Agreement to Pay Defense Costs - Breach of Agreement Not To Sue
By signing and returning a copy of this Engagement Letter, the undersigned client agrees that any issue concerning the quality or timeliness of the work in this engagement shall not form the basis for legal action, and agrees not to bring suit. Should suit be brought in violation of this agreement, the undersigned client agrees to pay the legal fees incurred in the defense of such action.

Agreement to Pay Defense Legal Costs-No Prohibition Against Suit
In addition to the fees for services described in this Engagement Letter, the undersigned client agrees to pay an amount equal to any and all legal fees incurred by this firm in connection with this engagement, including (by way of illustration and not limitation) legal fees: (1) incurred for advice on any issued relating to this engagement; (2) incurred in connection with any suit to recover the fees due for this engagement; (3) incurred by this firm in responding to any subpoena or other legal process relating to this engagement; and (4) incurred in the defense of any action brought against this firm.

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CPA Mutual Insurance Company of America Risk Retention Group
11801 Research Dr. Alachua, FL 32615-6818
800-543-3029 www.cpmutual.com

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What I worry about?

- Estate tax returns – Trustee Engagements
- Bankruptcy Trustees
- The economy/Credit crunch – Audit fees under pressure
- New legal theories: i.e. “Deeping Insolvency”
- “kids” doing audits
- Electronic Discovery/Digital Files

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Defense Nightmares!

- Experience/Supervision
- IM: hey dude...the senior running this job is an idiot! Lol
☺



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Data Storage Math

- 1 bit = 0 or 1
- 1 Byte = 8 bits
- 1 Megabyte (MB) = 1,000 Bytes ≈ 500 typed pages of text
- 7 Megabytes ≈ 3,500 typed pages ≈ 1 bankers box
- 1 Gigabyte (GB) = 1,000,000 Bytes ≈ 143 cardboard boxes

Weiser | Weiser LLP *Enterprising Minds*

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Data Storage Math (Con't)

Device	Capacity	Boxes
Laptop Hard Drive	40 GB	5,714
DVD	4.7 GB	671
CD	700 MB	100
Camera Card	1 GB	143
Thumb Drive	2 GB	286
USB Watch	256 MB	36
USB Knife	256 MB	36
USB Pen	512 MB	72
iPod	4 GB	571
Web Storage (i.e. AOL)	2 GB	285
Total	55.424 GB	7,914

Weiser | Weiser LLP *Enterprising Minds*

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Metadata - Overview

You're invisible now, you got no secrets to conceal.
 Bob Dylan, "Like A Rolling Stone" © 1965, 1993 Special Edition Music

- Electronic documents contain embedded information
- Some information is visible, some ("metadata") is not
- Recoverable metadata include:
 - Author(s) name(s)
 - File Creation date and time
 - Last print date and time
 - Total Editing Time
 - Track changes
 - Hidden text



Enterprising Minds

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Items to be removed from [redacted] workpapers

1. All review comments and points for next year's audit *Done*
2. Should fix up WP 2
3. Routing sheets
4. WP 5 - did we issue the reportable conditions letter? Its not in the file. *No p&T*
5. Planning memo includes some vague procedures that we will be undertaking. May be subject to scrutiny in the event of litigation.
6. Client's letterhead and unnecessary correspondence.
7. Audit planning form contains indications that the control environment is adequate. However if the controls were functioning properly, we wouldn't have the reportable conditions that we found at VPS.
8. Rep letter is not signed by the former controller. *Steve Demand*
9. VPS02 etc. Haphazardly choosing a sample is open to questioning in litigation. *Done*
10. SB ~~remove~~ or revise explanation - alludes to non-GAAP accounting principle *Done*
11. Remove all audit programs. *Done*
12. 80-3 Audit work performed using unexecuted commitment for BNA line of credit. If its not necessary - take out of papers. *As not p&T*
13. Maybe don't give them the p&T file also since the 1992 #s weren't adjusted to perform the analytics. *Steve (audit)*
14. There are various references in the papers to conversations with Mr. [redacted]. The question of his integrity and consequently the validity of his explanations will be the subject of inquiry in litigation.

Manuel

modified referred to conversations with Done

A-11208

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WRAP UP

- CLIENT SELECTION
- CLIENT RETENTION
- COMMUNICATION
- BE PRO-ACTIVE

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QUESTIONS AND COMMENTS

Contact Information:
Bill Thompson
wthompson@cpamutual.com
800-543-3029
www.cpa mutual.com



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NEW CLIENT ACCEPTANCE FORM

Client: 0000

Year end:

Completed by: _____ Date: _____

INSTRUCTIONS: This form should be completed on a prospective client (or existing tax client) before accepting a historical financial statement engagement, a forecast or projection engagement, or an MAS engagement. Background on the client should be documented on the Company or Individual Data Sheet.

ACCEPTANCE QUESTIONNAIRE:

	Yes	No
1. Is there any reason to doubt the integrity of the company's management or officers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Are we aware of any independence problems or conflicts of interest because of relationships with other clients, or staff?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. Are we aware of any fee collection problems?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. Does the fee arrangement violate the AICPA's Code of Professional Conduct related to independence?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. Is the expertise necessary to perform the engagement beyond our capabilities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6. Is the staffing commitment required by the job beyond our capabilities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7. Are there disagreements with the present firm over accounting principles?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8. Were any unusual matters noted on their most recent financial statements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9. Is there anything about the engagement that subjects us to undue exposure to third parties or causes us to be uncomfortable about being associated with the engagement?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

COMMENTS: - A "yes" response does not necessarily indicate that the prospective client should be rejected. However, for any "yes" responses, indicate the nature of the problem and explain the steps that we plan to take to mitigate the situation, e.g., closer supervision, a substantial fee deposit before work can start, assistance from another firm, etc.

CONCLUSION: We should accept or not accept the engagement.

Engagement principal: _____ Date: _____

Concurring principal: _____ Date: _____

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DECLARATION OF RAMON RIVERA

I, Ramon Rivera, do hereby declare as follows:

1. I am a former employee of BDO Seidman, LLP ("BDO"). I make this declaration in connection with the action styled *Banco Espirito Santo Internacional, Ltd. et al. v. BDO Seidman, LLP et al.*, Case No. 04-11128, filed on May 18, 2004 in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, and such other actions as have been or may be filed in connection with the dissolution and receivership of E.S. Banco de L.C. ("Bankasa"). Except where otherwise indicated, I have personal knowledge of the facts set forth herein and could and would, if necessary, testify competently thereto.

My Employment With BDO

2. I was hired by BDO in January 1998 as a "Senior," a position that is more senior than an "Associate," but less senior than a "Manager." Prior to my employment with BDO, I had worked for five years as an accountant for Arthur Andersen in Puerto Rico. At the time I was hired, I was told by BDO partners that one of the reasons that I was hired by BDO was that I speak Spanish fluently and was able to communicate effectively with Spanish-speaking clients located in South Florida.

3. During my first year with BDO, I worked on numerous audits. I believe these included audits of electronics, manufacturing, retail and service companies. They did not include any audits of factoring or finance companies.

BDO Defendant's Exhibit 3753
January 16, 2007
Case No. 04-14009 CA 31
Harvey Rubin Clerks of Courts

BESI05191

necessary in order to conduct the audits in accordance with generally accepted auditing standards.

16. Mr. Parlapiano still refused to produce the necessary records. In all of my years of experience as an auditor, I had never encountered a client that refused to provide potentially relevant information. Accordingly, when Mr. Parlapiano declined to provide Capital's records, I instructed my staff to discontinue work on the audit, not to report to Bankest the following work day, and to stop incurring time on the Bankest audit until further notice.

BDO's Reaction to the Work Stoppage

17. Immediately after my conversation with Mr. Parlapiano, I called BDO's Miami offices. I discussed the details of my conversation with Keith Ellenberg, the Concurring Review Partner on the audit, since Sandy was not in the office that afternoon. Mr. Ellenberg agreed that BDO could not continue without the information requested from Bankest, usually the Capital records, and further agreed that it was appropriate to stop the audit. Accordingly, and counter to customary practice, BDO did not work on the Initial Audit over the weekend.

18. On Monday, I met with Sandy Lenner and Keith Ellenberg to discuss further the conduct of the Initial Audit and Mr. Parlapiano's refusal to permit BDO to access Capital's records. To clarify those matters, and in attempt to preserve the client relationship, we together contacted Mr. Parlapiano by telephone. Sandy was the principal speaker for BDO.

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BESIL05196

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24. Following the meeting, Sandy came to my office and informed me that BDO would be continuing the audit. He told me that because I had not been in Miami for long, I did not understand that Mr. Parlapiano was an important person in the community. He said that he had known Mr. Parlapiano for many years and that they had developed a good professional relationship. He also noted that as a Manager, I should be looking for ways to bring in new business, and suggested that working for Bankest could lead to other work, through Mr. Parlapiano, the Orlanskys and affiliates of Bankest. He said that as time went on, I would better understand the management of client relationships.

25. Because BDO's practice was that a Manager acted at the direction of the Engagement Partner, I proceeded to complete the audit according to Sandy's instruction.

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Back

Ex-Football Player Jailed for Punching His Accountant

SHALIMAR, FLA. (SEPTEMBER 30, 2010)
BY WEBCPA STAFF

Former Kansas City Chiefs pro football player Joe Bruner was sentenced to nearly a year in prison for assaulting a CPA whom he blamed for his troubles with the IRS.

[Like what you see? Click here to sign up for WebCPA's daily newsletter to get the latest news and behind the scenes commentary you won't find anywhere else.](#)

Florida Circuit Court Judge John Brown sentenced the 57-year-old former NFL player to 11 months and 29 days in jail on Monday and ordered him to attend anger management classes, according to the *Northwest Florida Daily News*.

Bruner was found guilty of felony battery in August, but was acquitted of retaliating against a witness. His accountant, Wayne Montgomery, accused him of striking him several times during a meeting at Bruner's home in July of last year. Bruner was upset that Montgomery hadn't been able to do more to help him get a larger refund from the IRS, and he accused Montgomery of working for the accounting firm Carr, Riggs and Ingram, which Bruner had sued. Bruner is the former owner of an amusement attraction called Big Kahuna's water park.

Montgomery testified that Bruner first waved a fake gun and yelled at another man who was present at the meeting. After the other man walked out of the room, Bruner took out his aggression on his CPA, punching him in the eye, pushing him face down onto a recliner, and then punching him repeatedly in the head, neck and back.

Montgomery said that Bruner later called him in January at 4:38 in the morning and threatened him, "Battery, battery, battery. You just think battery. That was not battery. You ain't seen battery. Next whipping I'm giving you real battery. I'm going to destroy you and your property in Alabama and Tennessee."

Bruner denied ever striking his accountant, but the prosecutor said he "has an excuse for everything."

In addition to time in the county jail and anger management classes, Bruner has also been ordered to submit to regular drug and alcohol tests, surrender any of his weapons, and avoid contact with his CPA.

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DATE December 1991	30 S. Wacker Drive • Suite 1300 Chicago Mercantile Exchange Building Chicago, Illinois 60605 (312) 454-3027	ACCOUNT NUMBER 02129
Scottsdale, AZ 85255		Fed. Tax #03-0312496 COMMODITY TRADED 500 S&P Futures Year End Statement
CONFIRMATION & STATEMENT		
Net Results for the Year End of 1991		
Net Profit/Loss	\$1,768,465.08	
T. Bill Income (Accretion)	168,358.25	
Other Income	2,773.56	
Open Positions \$6,700,000.00	US T. Bills due March 19, 1992 - Market Value -	
Year End Segregated Account Balance \$115,405.31	higher than ever	
<p>RETAIN FOR TAX RECORDS</p> <p>FORM 990 (SCHEDULE F-990-B) (RUFF) 0-98</p>		



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Audit Team

	XYZ	Years in accounting	Years auditing Company X	% of time worked on Company X '96 audit	Comments
Partner	Partner	31	13	7.2%	Never saw a loan file at Company X
Manager	Partner	24	9		Never completed second partner function
Senior	Manager	5	3	9.1%	Did not review '96 loan files
	Senior	3	2	83.7%	Called away -- did no review
	In-Charge	2	21 months		Hired Jan 95
	Staff	1	0		Hired Sep 95
	Staff	0	0		Hired Summer 96

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“To be independent, **the auditor must be intellectually honest**; to be *recognized* as independent, he must be **free from any obligation to or interest in the client, its management, or its owners.**

* * *

Independent auditors should not only be independent in fact, they should avoid situations that may lead outsiders to doubt their independence.”

AU §220 - Independence

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In the Sky Box at
the SEC
Championship



Golf outing
with the CEO
and CFO

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