4-1986

Be Alert to Some of the Most Common Causes of Claims Against CPAs

Rollins Burdick Hunter Company

American Institute of Certified Public Accountants (AICPA)

OTHER PAMPHLETS AVAILABLE.


How to get sued

Ten easy ways for accountants to get into trouble

Number 1 in a Series Prepared By:
AICPA Professional Liability
Insurance Plan Committee

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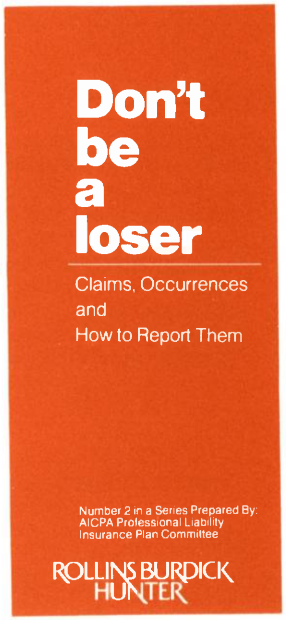
Don't be a loser

Claims, Occurrences and How to Report Them

Number 2 in a Series Prepared By:
AICPA Professional Liability
Insurance Plan Committee

ROLLINS BURDICK HUNTER

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Be alert

To some of the most common causes of claims against CPAs

Number 3 in a Series Prepared By:
AICPA Professional Liability
Insurance Plan Committee

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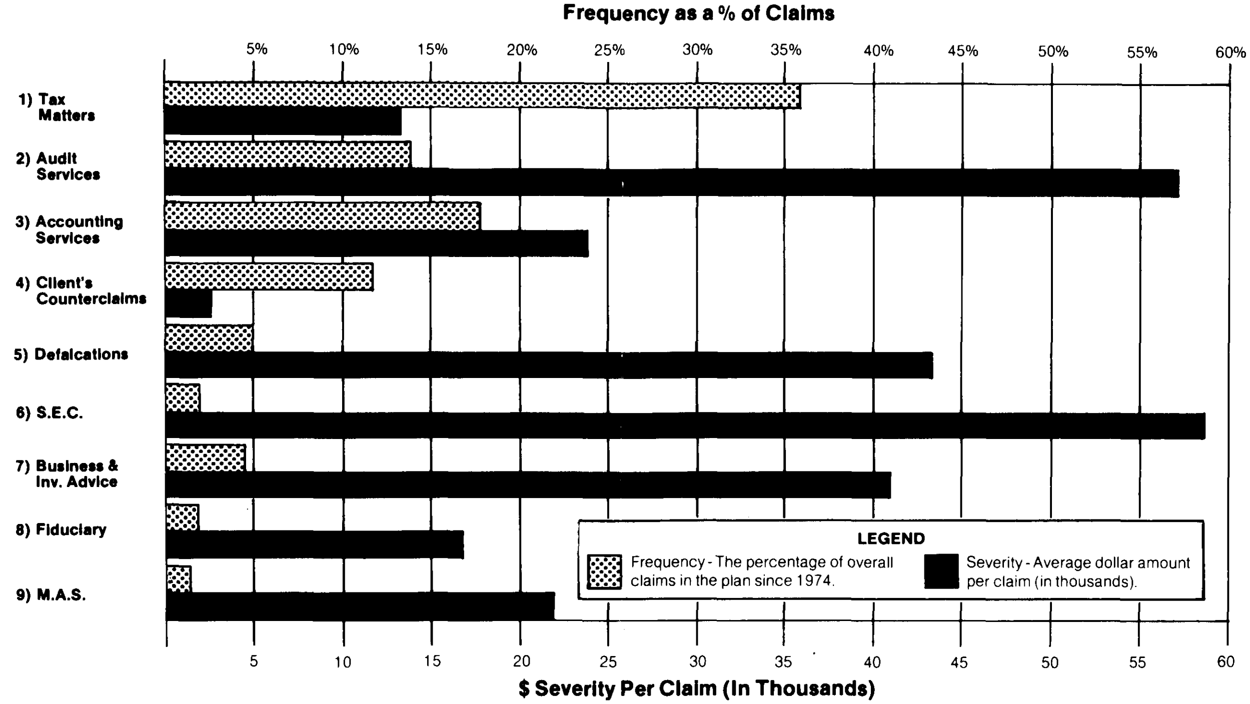
Over 14,000 practice units in the United States are insured under the present AICPA Professional Liability Insurance Plan, which has provided coverage for certified public accountants since 1974.

The AICPA liability insurance plan committee is charged with monitoring the plan and has isolated some of the most common causes of claims from statistics which are compiled quarterly by the plan's administrator for committee review. The committee is pleased to publish this information to alert practitioners to those areas in which their practices may be most vulnerable.

Lawsuits don't always happen to the "other fellow". They could happen to you.

AICPA Professional Liability Insurance Plan
Most Common Causes of Claims in the Plan Since 1974



1. Tax Matters
Claims arising from late filing of returns and from underpayment of estimated tax because of alleged negligence of the accountant, which results in penalties, interest and other serious harm to the client. Some claims also arise because of the disallowance of the treatment of items reported on the tax return prepared by the accountant.

2. Audit Services
Claims alleging that a CPA firm did not properly discharge its obligations in an engagement to examine books and records of a company in accordance with Generally Accepted Auditing Standards (GAAS) and to report on whether the financial statements are presented in conformity with Generally Accepted Accounting Principles. (GAAP).

3. Accounting Services
Claims alleging improper execution of an engagement to provide accounting services (referred to as "write-up," "unaudited financial statement work," or "compilation and review") and although no opinion was expressed, assurance was given that nothing came to the accountant's attention during the limited review to indicate that Generally Accepted Accounting Principles (GAAP) were not being followed.

4. Client's Counterclaims
Claims arising as the result of an accountant's suit to collect fees from a client.

5. Defalcations
Claims arising because of the accountant's failure to detect embezzlement during an audit or other engagement.

6. SEC and Stockholder Suits
Claims by third parties (parties not privy to the engagement contract, such as stockholders and/or the Securities & Exchange Commission) which involve high-dollar liabilities and defense costs.

7. Business and Investment Advice
Involves audit or accounting services as well as tax and MAS advice. This category is basically comprised of claims relating to business acquisition evaluations and projections, and such things as advising on a suitable mix (equity vs. debt) of portfolio investments for business and funds. Not included are financial management or handling of funds which are primarily fiduciary responsibilities.

8. Fiduciary Responsibilities
Claims brought under the ERISA law and under the expanded definition of "Fiduciary" in the 1974 revised SEC Rule 10b.

9. Management Advisory Services
Claims alleging that advice given by an accountant to a business in order to improve its efficiency and/or to make maximum use of its resources was incorrect.