

2011 Fall Council Meeting Executive Summary of Breakout Questions

Breakout Question 1: As a profession of CPAs, have a significant number of standards that guide them in both the production of their work and their work product. Professional standards and ethical responsibilities relate significantly to the conduct of a CPAs business: from record retention to fee disputes, and a great many other situations. What are the most common situations or issues you run into? What are the situations or issues with which you have the greatest difficulties or problems?

The groups seemed to be in agreement that ethical standards are hard to define since they seem to possibly vary from firm to firm and person to person with no clear cut definition of what to do in particular situations. The standards currently in place leave professionals relying on their own judgment or wasting days and possibly weeks going through checklists to confirm you are meeting ethical standards.

Client disclosure problems and honesty issues can sometimes create issues that may or may not be ethical. Relying solely on client's knowledge can create risky situations for the CPA; however, you have to trust they are giving you the information you need. Clients getting a divorce is also a situation that sometimes treads the line on ethical practice when both clients have been your client, but now assets are being divided, so what information can you share and how to handle this situation is a frequent challenge.

Fee disputes and billing issues – An example provided by one group was you do 10 hours of research on a question a client has and bill them for 10 hours of work. After you bill this client another client comes along with the exact same question and you don't need to do as much research as you did for the first client creating less billable hours. Do you charge both clients the same fee or do you charge the initial one for 10 hours and the other client for the lesser hours? Is that unethical? Do you create stand-alone fees?

Breakout Question 2: Discussion within the profession related to mandatory auditor rotation has increased over the last several months. Discuss your opinions related to Mandatory Auditor Rotation, making sure to address the possibility of it becoming a statutorily or regulated requirement.

The breakout groups primarily agreed that they are against Mandatory Auditor Rotation. The group sees several issues surrounding auditor rotation and how it affects clients. The groups understand the thought behind doing this due to recent corporations and accounting firms committing fraud in their financial records during the past decade, but feel the profession should address this not a standard that creates excessive costs and lower quality of service.

A suggestion was presented by the group to have a firm rotate audit teams and partner for a client, so that the firm-client relationship is still maintained, but you are still getting a fresh set of eyes on the audit.

The group also feels there could be several issues with auditor rotation at a big company versus a smaller company and defining the difference, as well as private versus public companies and that there could be an issue with smaller areas that don't have as many audit firm options.