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Staying Afloat: Find and Repair Leaks in Your Tax Practice Quality Control System

American Institute of Certified Public Accountants

AICPA

http://www.aicpa.org/INTERESTAREAS/TAX/RESOURCES/STANDARDSETHICS/Pages/default.aspx

Today's Agenda

- Tax Practice Quality Control (TPQC) System
  - What it is?
  - Why does it matter?
- Elements of a TPQC system
- Common leaks in the system
- Resources

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What Comprises a TPQC System?

Content

- Organizational structure
- Policies & procedures

Purpose

- Provides reasonable assurance of compliance with applicable statutory, regulatory, and professional requirements

Evidence

- Tax Practice Quality Control document
- Tax Procedures Manual

Why it Matters?

- Applies to everyone
- Assists compliance with:
  - statutory and regulatory requirements
  - professional standards
- Minimizes professional liability risk

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Elements of the System

- Leadership
- Ethics
- Client Acceptance
- Human Resources
- Engagement Performance
- Monitoring

Leadership Responsibilities

- Ultimate responsibility
- Quality vs. profits
- Experience *and* authority
- Clear and continuous communication
- Sufficient resources
- Commitment

Potential Leaks….

Ethical Requirements

Adhere to:	Communicate	Document
• Laws & regulations • Professional standards	• Policies • Procedures	• Compliance

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Ethical Considerations

- Tax return reporting standard
- Confidentiality of client information
- Conflicts of interest
- Due diligence

Potential Leaks….

Ethical Considerations, cont'd

- Knowledge of client's error
- Contingent fees
- Written tax advice

Potential Leaks….

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Acceptance of Client Relationships

- Evaluate prospective clients
- Determine capabilities and resources
- Document understanding
- Periodically re-evaluate

Potential Leaks….

Human Resources Function

- Hiring program
- Personnel assignments
- Continuing education
- Advancement qualifications
- Evaluations

Potential Leaks….

Engagement Performance

- Engagement plan
- Supervision and review
- Compliance with QC system standards
- Communication of results to client

Potential Leaks….

Engagement Performance, cont'd

- Documentation of results and communication to client
- Use of consultants
- Procedures to resolve differences of opinion
- Tax practice documents

Potential Leaks….

Monitoring of TPQC system

- Document compliance
- Establish an inspection program
- Evaluate compliance
- Assign monitoring responsibility
- Provide a process for client complaints

Potential Leaks….

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Resource Materials

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Home > Interest Areas > Tax > Resources > Tax Ethics & Professional Standards

Tax Ethics & Professional Standards

- Statements on Standards for Tax Services
- Treasury Department Circular No. 230

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Tax Ethics & Professional Standards

CPA tax practitioners are subject to many different standards and ethics rules, including AICPA enforceable tax ethics, Circular 230, the Internal Revenue Code, state licensing boards and other regulatory agencies, professional associations and various other laws and regulations. This page provides guidance and information on tax ethics & professional standards for tax practice, as well as practice aids and resources to help members elevate their practices and maintain the highest ethical standards.

For more information, visit Professional Ethics under Interest Areas for other ethics related guidance and resources, or view the complete list of the standards and statements that the AICPA develops, issues, and enforces.

Tools & Resources

- **Overview of the Federally Authorized Tax Practitioner — Client Privilege Under IRC Sec. 7525:** Practice guide explaining the federally authorized tax practitioner—client privilege pursuant to section 7525, Confidentiality Privileges Related to Taxpayer Communications.
- **Guidelines for Conflicts of Interest in the Performance of Federal Tax Services:** Practice guide to assist CPA tax practitioners in identifying where possible conflicts arise and measures to minimize risk.
- **Due Diligence in Tax Services:** Practice guide delivering guidance as to what due diligence consists of in the context of tax services.
- **Tax Practice Quality Control Guide** : Practice guide outlining how the Statements on Standards for Tax Services affect the tax practice quality control systems for certified public accountants in public practice.
- **Client Criminal Matters and the CPA:** This practice guide provides practical insights concerning issues of which the CPA should be aware and procedures the CPA should follow in providing advice to a taxpayer if the CPA believes that the taxpayer may face possible exposure to allegations of fraud or other criminal misconduct.
- **Report on Civil Tax Penalties: The Need for Reform:** AICPA whitepaper outlining concerns about the current state of civil tax penalties and suggestions for improvement.

Guidance

All AICPA members are subject to the AICPA Code of Professional Conduct, including all general and technical standards. There are several provisions in the Code of Professional Conduct that may be of particular interest to a member's tax practice, including: Rule 101 – Independence, Interpretation 101-3 – Performance of Nonattest Service, Rule 102 – Integrity and

http://www.aicpa.org/INTERESTAREAS/TAX/RESOURCES/STANDARDSETHICS/Pages/default.aspx

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Statements on Standards for Tax Services

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Statements on Standards for Tax Services

The AICPA's Statements on Standards for Tax Services (SSTSs) are enforceable tax practice standards for members of the AICPA. The SSTSs apply to all members regardless of the jurisdictions in which they practice and the types of taxes with respect to which they are providing services. The SSTSs and interpretations delineate members' responsibilities to taxpayers, the public, the government and the profession. They are intended to be part of an ongoing process of articulating standards of tax practice for members.

Standards

Download a complete copy of the SSTSs or browse the individual standards below.

Interpretations

Two interpretations have been issued, to date:
SSTS Interpretation No. 1-1
SSTS Interpretation No. 1-2

FAQs

Additional guidance is available in the form of Frequently Asked Questions, developed by the SSTS Guidance Task Force.

http://www.aicpa.org/INTERESTAREAS/TAX/RESOURCES/STANDARDSETHICS/STATEMENTSONSTANDARDSFORTAXSERVICES/Pages/default.aspx

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Client Termination Checklist

Client Name and Number: _____

Prepared by: _____ Date: _____

	Initials	Date	Comments
1) If client terminated the relationship with us, have CPA in charge follow up with a phone call to understand why and document reasons.	____	____	_____
2) Determine if work in progress (WIP) is billable. If yes, prepare final bill for client. If no, clear all WIP in billing system.	____	____	_____
3) Once it is determined that there is no additional time to be charged to the account, make the client inactive in billing software so that no additional time can be charged to the client.	____	____	_____
4) Remove the client from any client communications systems (constant contact, newsletters, data mining, etc.).	____	____	_____
5) Cancel any outstanding projects in project tracker system.	____	____	_____
6) Revoke all POA's we have for the client with the IRS and/or state department of revenue(s).	____	____	_____
7) If current tax year return is not done yet, delete out of tax system. If current year tax return is already done, mark client to be excluded from proforma to next year's tax program.	____	____	_____
8) Send letter (see sample letter) via email & regular mail (certified, return receipt requested) to the client with the following information (if applicable):	____	____	_____
a. The reasons for the termination of the relationship (if we are firing them) or acknowledgement that the client has terminated services and perhaps state the reasons they gave	____	____	_____
b. Outstanding amount due and final bill	____	____	_____
c. Any outstanding issues/projects	____	____	_____

	Initials	Date	Comments
d. Disclosure authorization (so that we can disclose any information needed to new accountant) ensure compliance with 7216 disclosures rules per Circular 230	____	____	_____
e. Inform them that their client portal on our website will be deactivated in 30 days with instructions to retrieve their documents	____	____	_____
9) Close/archive client files*:			
a. Pull paper client file, if any, to determine if any client documents need to be scanned in, purged, or returned to client. Put empty file away to be reused in the future	____	____	_____
b. Determine that all e-mails which should be saved have been filed in the appropriate file and deleted from local and remote workstations	____	____	_____
c. Archive all electronic client data/documents to inactive client database and delete from the active databases of current clients	____	____	_____
10) Delete client portal on _____.	____	____	_____
11) Scan this checklist to their archived client data with a copy of the letter sent to the client.	____	____	_____
12) Delete from database for client/contact newsletters/mailings.	____	____	_____

**For sensitive clients, consider reaching out to malpractice carrier or legal counsel before removing documents from archived records.*

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Treasury Department Circular No. 230 (Rev. 6-2014)

Catalog Number 16586R

www.irs.gov

Regulations Governing Practice before the Internal Revenue Service

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Department of the Treasury

Title 31 Code of Federal Regulations, Subtitle A, Part 10, published (June 12, 2014)

https://www.irs.gov/pub/irs-pdf/pcir230.pdf

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Rev. 08/2015

GUIDANCE TO PRACTITIONERS REGARDING PROFESSIONAL OBLIGATIONS UNDER TREASURY CIRCULAR NO. 230

Who is Subject to Treasury Circular No. 230[1]

The provisions of Treasury Circular No. 230 apply to:

- Attorneys
- Certified Public Accountants
- Enrolled Agents
- Enrolled Actuaries
- Enrolled Retirement Plan Agents
- Appraisers
  - Individuals representing others pursuant to limited practice regulations
  - Individuals giving written advice with respect to any entity, transaction plan or arrangement, or other plan or arrangement, which is of a type the IRS determines to have a potential for tax avoidance or evasion.

The IRS' Office of Professional Responsibility (OPR) may propose the censure, suspension, or disbarment of any practitioner, and the disqualification of any appraiser, from practice before the Internal Revenue Service if the individual is shown to be incompetent or disreputable, fails to comply with any regulation in

https://www.irs.gov/pub/irs-utl/Guidance_Regarding_Professional_Obligations_Under_Circular_230.pdf

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Any Questions?

Thank You!