



IRS Nationwide  
**TaxForum**

| 2018

**Tax Practice Quality Review:  
How to Work a Quality Practice  
Without the Practice Working You**



**AICPA**<sup>®</sup>



Tax  
Forum

IRS Nationwide

2018

# Today's Agenda

- Tax Practice Quality Control (TPQC) system: what it is and why it matters
- Elements of a TPQC system
- Common “leaks” in the system
- Resources



IRS

Tax Forum

IRS Nationwide

2018

# Composition of a TPQC System

## Content

- Organizational structure
- Policies & procedures

## Purpose

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

## Evidence

- Tax Practice Quality Control document
- Tax Procedures Manual



IRS

Tax Forum

IRS Nationwide

2018

# Factors that Influence a QC System

- Tax Size of practice
- Number of offices
- Degree of authority granted
- Knowledge and experience
- Nature of practice
- Specialties
- Cost-benefit considerations



IRS

Tax Forum

IRS Nationwide

2018

# Why it is Relevant

01

**Applicable to all practices**

02

**Assists compliance with**

- statutory and regulatory requirements
- professional standards

03

**Minimizes the risk of professional liability**

04

**Possibly required by Circular 230**



IRS

Tax Forum

IRS Nationwide

2018

# Elements of the System

Leadership

Ethics

Client  
Acceptance

Human  
Resources

Engagement  
Performance

Monitoring



IRS

Tax Forum

IRS Nationwide

2018

# Leadership Responsibilities for Quality

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

**Potential Leaks . . .**



IRS

Tax Forum

IRS Nationwide

2018

# Relevant Ethical Requirements

## Adhere to:

- Laws & regulations
- Professional standards

## Communicate

- Policies
- Procedures

## Document

- Compliance



IRS

Tax Forum

IRS Nationwide

2018

# Ethical Considerations

- Tax return reporting standard
- Confidentiality of client information
- Conflicts of interest
- Due diligence
- Knowledge of client's error
- Contingent fees
- Written advice

**Potential Leaks . . .**



IRS

Tax Forum

IRS Nationwide

2018

# Acceptance and Continuance of Client Relationships & Specific Engagements

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

**Potential Leaks . . .**



IRS

Tax  
Forum

IRS Nationwide

2018

# Human Resources

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

**Potential Leaks . . .**



IRS

Tax Forum

IRS Nationwide

2018

# Monitoring

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

**Potential Leaks . . .**



Tax

Forum

IRS Nationwide

2018

# Resource Materials



IRS  
Tax Forum  
IRS Nationwide

2018

**Tax Ethics & Professional Standards**

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

**Browse by**

▼ **Interest Area**

Tax (19)

---

▼ **Date**

Past 30 Days (1)

Past 12 Months (2)

---

▼ **Topic**

Ethics (16)

Tax (11)

Standards (7)

Tax Practice Standards (3)

Circular 230 (2)

...Click To View More

---

▼ **Content Type**

FAQs (11)

Overview (2)

Professional Standards (2)

Chart (1)

Guidance (1)

...Click To View More

---

▼ **Member-Only Content**

## 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 on tax ethics and professional standards for tax practitioners, as well as practice aids and resources to help members elevate their practices and maintain the highest ethical standards.

Visit [Professional Ethics](#) for other ethics-related guidance and resources, or view the [complete list](#) of the standards and statements that the AICPA develops, issues, and enforces.

Join the Tax Section today to gain access to these resources along with other benefits. [Join >](#)

### Featured Resources



**Federal Tax Return Preparer Penalties Quick Reference Chart**

Details the various penalties assessed against tax preparers including how the amounts are calculated, abatement opportunities and tips.



**Tax Practice Quality Control Guide**

Provides guidance on why quality control is needed and what each element of quality control entails.



**Statements on Standards for Tax Services (SSTs)**

Overview and guidance on the SSTs that provides a complete copy of the standards, FAQs and more.

[Checklist, Practice Guides, and Templates](#)



IRS  
Tax Forum  
IRS Nationwide

2018

Statements on Standards for Tax Services

Browse by

▼ Interest Area

Tax (9)

▼ Topic

Ethics (9)

Standards (7)

Tax (7)

Tax Practice Standards (2)

▼ Content Type

FAQs (9)

## 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.



Under a 1999 resolution of AICPA Council, the Tax Executive Committee was authorized to promulgate professional practice standards with respect to tax services. These enforceable SSTSs apply to all tax services, and are designed to:

- Identify and develop appropriate standards in providing tax services and promote their uniform application by CPAs.
- Increase the understanding of CPA responsibilities by Treasury and IRS officials and encourage the development of similar standards for their personnel.
- Foster increased public compliance with and confidence in our tax system through awareness of good standards of tax practice.
- Enhance the CPA professional designation.

The SSTSs were originally issued in 2000 and were updated in 2009. The full text of the current SSTSs are available below, along with additional guidance and answers to common questions.

### Tax Standards and Interpretations

#### Standards

- **SSTSs (full document):** Includes all seven SSTSs, along with the history and ongoing process.
- **SSTS No. 1, *Tax Return Positions*:** Sets forth the applicable standards for members when recommending tax return positions, or preparing or signing tax returns filed with any taxing authority. This statement also addresses a member's obligation to advise a taxpayer of relevant tax return disclosure responsibilities and potential penalties.
- **SSTS No. 2, *Answers to Questions on Returns*:** Sets forth the applicable standards for members when signing the preparer's declaration on a tax return if one or more questions on the return have not been answered.
- **SSTS No. 3, *Certain Procedural Aspects of Preparing Returns*:** Sets forth the applicable standards for members concerning the obligation to examine or verify certain supporting data or to consider information related to another taxpayer when preparing a tax return.
- **SSTS No. 4, *Use of Estimates*:** Sets forth the applicable standards for members when using estimates in the preparation of a tax return.
- **SSTS No. 5, *Departure From a Position Previously Concluded in an Administrative Proceeding or Court Decision*:** Sets forth the applicable standards for members in recommending a tax return position that departs from the position determined in an administrative proceeding or in a court decision with respect to the taxpayer's prior return.
- **SSTS No. 6, *Knowledge of Error: Return Preparation and Administrative Proceedings*:** Sets forth the applicable standards for members who becomes aware of: (a) an error in a taxpayer's previously filed tax return; (b) an error in a return that is the subject of an administrative proceeding; or (c) an error in a return that is the subject of a court decision.

<https://www.aicpa.org/interestareas/tax/resources/standardsethics/statementsonstandardsfortaxservices.html>



IRS

Tax Forum

IRS Nationwide

2018

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*: <ul style="list-style-type: none"> <li>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</li> <li>b. Determine that all e-mails which should be saved have been filed in the appropriate file and deleted from local and remote workstations</li> <li>c. Archive all electronic client data/documents to inactive client database and delete from the active databases of current clients</li> </ul>	_____	_____	_____
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.*



IRS

Tax Forum

IRS Nationwide

2018

# Client Termination Letter

Page 1

Date \_\_\_\_\_

Client Name  
Street Address  
City, State Zip

Dear \_\_\_\_\_,

We hereby inform you that we have decided to terminate<sup>1</sup> our professional relationship with [you or your organization or your company] effective [immediately or as of (insert date)] and will no longer render professional services to you or your company as of this date<sup>2</sup>.

Our reasons for disengaging at this time include the following:<sup>3</sup>

- [we do not feel that we can continue to provide your company with the level of services that you require]
- [your continued failure to pay for our services on a timely basis]
- [a conflict of interest in our services to your company and other clients whom we serve]
- [other \_\_\_\_\_]

We wish to remind you that you have unpaid invoices totaling \$[amount] copies of which are enclosed for your review. This does not include the invoice for our services rendered since [date] in the amount of \$0.00 which is also enclosed. We expect payment in full of all of these invoices within [X] days of acknowledgement of this disengagement letter. If payment is not received by our office within [X] days after acknowledgement of this letter, additional charges may apply. If you are not in a position to make immediate payment, please call us so that we may discuss an extended payment arrangement.

You also agree that you will reimburse us for all costs or expenses incurred by us as the result of receiving a subpoena or other legal proceedings which require our response thereto. This time will be charged at our normal hourly rates plus reasonable out of pocket expenses including but not limited to attorney's fees (*optional*).

You should take immediate steps to retain a new accounting firm as there are a number of matters that require immediate attention. Among those matters, but not limited to, are the following<sup>4</sup>:

- 1.
- 2.

It is important to note that the above matters are time sensitive. Any delay in addressing these issues may cause you to incur penalties or other costs for which we are not liable.

Page 2

Subject to you making satisfactory arrangements for the payment of your outstanding invoices, we will cooperate with your new accountants in addressing these and other matters in accordance with the provisions of the AICPA Code of Professional Conduct and the rules promulgated by the (insert state name) Board of Accountancy (or other state regulatory body). To facilitate that process, [please fill out and sign the enclosed disclosure authorization](#). We will not be able to communicate with others regarding [your or your organization's or your company's] affairs without the signed disclosure authorization in our records. All inquiries related to this matter by you, your employees or outside third parties should be directed to (insert name) of this office. This will allow us to provide an expedited response to any requests for information.

Enclosed are all original documents still in our possession (see attached list). [*Alternative: Any original documents you submitted to our firm have already been previously returned.*] In addition, your portal on our website will be deleted [30] days from the date of this letter. If you did not download copies of your tax return(s) previously, you may want to do so now using the attached instructions.

Please contact [insert name] if you have any questions or concerns regarding this matter.

We thank you for the opportunity to serve you (your company) and wish you much success in the future. <sup>5,6</sup>

Sincerely,

[Client Contact or Firm Administrator]  
[Firm Name]



IRS

**Tax Forum**

IRS Nationwide

2018

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

**Catalog Number 16586R**

**[www.irs.gov](http://www.irs.gov)**

**Regulations Governing Practice before  
the Internal Revenue Service**

---

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>

## Code of Ethics and Rules of Professional Conduct

### Code of Ethics

---

1. Members and associates will, in personal and public life, strive to enhance the status of enrolled agents (EA) and promote their qualifications to serve the public.
2. Members and associates will demonstrate honesty, integrity, and objectivity in all their professional actions and relationships.
3. Members and associates will continually strive to improve upon their competence to practice by keeping informed and educated about tax practice and representation.
4. Members and associates will maintain the confidentiality of professional relationships.
5. Members and associates will support efforts to advance the reputation and prestige of the EA license.
6. Members and associates will comply with the most current provisions of Treasury Department Circular 230 and the NAEA Code of Ethics and Rules of Professional Conduct.
7. Members and associates will not knowingly misrepresent or omit information when preparing or approving and filing tax returns, documents, affidavits, and other papers relating to Internal Revenue Service (IRS) matters. If a client insists on the misrepresentation or omission, the Member or Associate should withdraw and refuse to prepare the return or other documents.

### Rules of Professional Conduct

---

1. Members and associates will adhere to all laws and regulations that provide equal opportunity for all clients and employees regardless of race, color, religion, gender, national origin, age, handicap, sexual orientation, or any other legally protected



IRS

Tax Forum

IRS Nationwide

2018



Tax Forum

IRS Nationwide

2018



LOGIN | Find a Tax Pro

Search...



Home About Events & Education Tax Knowledge Center Member Center Publications Chapters Tax Store



## Standards of Professional Conduct

The Board of Directors of the National Association of Tax Professionals has adopted a set of standards governing members' professional conduct.

The purpose of these standards is to establish a threefold responsibility of our members.

Our first responsibility is to our clients. Members should make every effort to protect the interests of the client and advise the client when the client is taking the wrong course of conduct. The client is responsible for any decisions made when the tax return is prepared. When the client signs the tax return, it has the force of an affidavit.

The second responsibility is to the member. Members should conduct their practice so that it will not jeopardize their professional reputation or self-respect. The member should not be unreasonable in requiring proof of statements made by the taxpayer.

The third responsibility is to the government. In this respect, a member should always bear in mind the member is governed by the law, regulations, and decisions that make up their field of tax practice.

<https://www.natptax.com/AboutNATP/WhatisNATP/Pages/StandardsofProfessionalConduct.aspx>



**Tax Forum**

IRS Nationwide

2018

**Thank You!**

