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Tax Practice Quality Control

American Institute of Certified Public Accountants
Washington, DC

[http://aicpa.org/INTERESTAREAS/TAX/RESOURCES/
STANDARDSETHICS](http://aicpa.org/INTERESTAREAS/TAX/RESOURCES/STANDARDSETHICS)



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Tax Practice Quality Control System - Defined

Consists of organizational structure, policies and procedures

Purpose is to provide reasonable assurance of compliance with applicable statutory, regulatory, and professional requirements

Evidenced by Tax Practice Quality Control document



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Why is it Relevant?

Applicable to all practices

Assists compliance with

- statutory and regulatory requirements
- professional standards

Minimizes the risk of professional liability

Possibly required by Circular 230



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Factors that Influence QC System

Size of practice

Number of offices

Degree of authority granted

Knowledge and experience

Nature of practice

Specialties

Cost-benefit considerations



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Elements of a Quality Control System

Leadership responsibilities

Ethical requirements

Acceptance of client relationships

Human resources function

Engagement performance

Monitoring of QC system



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Leadership Responsibilities

Assume ultimate responsibility

Quality of work overrides profits

Appropriate experience and authority

Clear and continuous communication

Dedicate sufficient resources

Demonstrate commitment to the QC
system

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Ethical Requirements

Adherence to all applicable laws, regulations, and professional standards

Communication of firm policies and procedures

Documentation of compliance

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Examples of Ethical Requirements

Tax return reporting standard

Confidentiality of client information

Conflicts of interest

Due diligence

Knowledge of client's error

Contingent fees

Written tax advice



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Acceptance of Client Relationships

Evaluate prospective clients

Determine if the firm has the necessary capabilities and resources

Document the understanding with the client

Periodically re-evaluate the client relationship



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Human Resource Function

Hiring program

Assignment of personnel to engagements

Continuing education program

Qualifications for advancement

Evaluations

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Engagement Performance

Engagement plan

Supervision and review

Compliance with QC system standards

Communication of results to client

Documentation of results and of their
communication to client

Use of consultants

Procedures to resolve differences of
opinion

Tax practice documents

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Monitoring of QC System

Document compliance with QC system

Establish an inspection program

Evaluate compliance

Assign monitoring responsibility

Provide a process for client complaints



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Tax Procedures Manual

Manual contents - checklists, tax return review procedures, tracking procedures, etc.

Promotes quality products and services

Builds consistency

Streamlines the administrative aspects of practice

