



# Top Ten Ways For An Accountant To Avoid Being Sued



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## 1. Obtain an Engagement Letter

Engagement letters are a very effective way to define the scope of an engagement and go far to ensure that your client understands what they are bargaining for, especially since they will sign the agreement, and it will serve as the contract between the parties. Moreover, an accountant can include in this letter many provisions (e.g., limits of liability, indemnification) that will protect him or her from a lawsuit in the event that a dispute arises. Without a fully-executed engagement letter, the client essentially can assert that the scope of the engagement was much broader than actually agreed, leading to disputes in many facets of the work.

## 2. Satisfy Client-Imposed Deadlines

Meeting a client's expectations is the rule for maintaining long-term relationships with clients. When a client informs you of a deadline, e.g., a press release date, every effort must be made to comply with that deadline, regardless of whether the accountant may believe that the deadline is artificial. Once an accountant misses a client-imposed deadline, the client may think that the accountant is ignoring its needs, resulting in loss of a client, undue scrutiny of work or non-payment of fees, not to mention a lawsuit from the failure to comply with the deadline. Should the accountant begin to believe that the client-imposed deadline cannot be met, the accountant should be communicating that belief to the client at the earliest opportunity. This practice is especially sound when delays are caused by the client.

## 3. Satisfy Government-Imposed Deadlines

Even if a client is unaware of a governmental deadline, the accountant should not be. Clients may rely on their accountants to know of and satisfy any government-imposed deadlines such as for tax return filing or securities laws statements. Missing these deadlines can be fatal to a client and similarly fatal to the accountant.

## 4. Ensure the Clients Understand the Nature of the Services That You Are Rendering

Even the most artfully drafted engagement letter cannot avoid common misunderstandings by the client. Depending on the client and the exposure, the accountant may want to have a face-to-face meeting to ensure that the client knows what they are retaining the accountant for. The accountant does not want a client to think that they are purchasing all of the benefits that come along with an audit when your accountant agreed to do a mere compilation. Misunderstandings in the scope of services rendered by the accountant are probable sources of disputes.

## 5. Include Appropriate Details on Invoices

On hourly engagements, providing a client with billings details of time spent for certain tasks not only would help explain what the accountant is doing for the client but could narrow issues for possible fee disputes, should any arise. Moreover, it will demonstrate to the client the many tasks performed by an accountant, reducing the possibility of misunderstandings in services.



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## 6. Be Careful of Suing a Client for Fees

Nobody wants to walk away from fees for services rendered. However, suits by accountants to recover fees generate counterclaims by the client with assertions that the accounting work was not done properly or timely or that the fees are excessive. These counterclaims, which would need to be reported to the accountant's insurance carrier, could result in higher costs in the form of insurance premiums and legal fees (even if there is a deductible), not to mention a distraction in the office if not a source of potential embarrassment in the community.

## 7. Do Not Accept an Engagement Outside of the Accountant's Area of Expertise

Accepting an engagement outside of an accountant's expertise invites trouble, if not unprofitability. Again, by accepting an engagement, the client assumes that the accountant has the expertise to competently complete the work and must be prepared to deliver. If the accountant does not regularly perform audits for SEC clients, then don't accept that type of engagement unless the accountant is prepared to perform substantial work to get him or herself up to speed on the intricacies of the engagement. This does not mean that an accountant cannot expand the scope of the services that are offered, but the accountant must be mindful of how expansive the accountant wishes to get.

## 8. Disclose Potential Conflicts of Interest

Conflicts of interest arise in fact and in appearance. Clients do not appreciate learning of a potentially adverse interest of their own accountant. Once the client learns of a potential conflict that is not disclosed, their level of scrutiny will increase dramatically. While a lawsuit may not be forthcoming over this potential conflict, the client may feel betrayed and this could lead to a loss of the client, if not a lawsuit.

## 9. Reign in Marketing Efforts to Reality

Web-based marketing is one of the more effective marketing tools for any accountant. However, over-reaching statements made by accountants could come back to haunt them if a client takes them out of context. Promises about work should be avoided.

## 10. Respond to Client Messages

Clients will feel ignored if their messages go unreturned. Moreover, an unreturned message may result in the client going elsewhere for advice and only to have the new accountant, who may not have been aware of all of the facts, wrongfully disagree with the initial accountant. The disagreement can lead to a dispute between the client and the initial accountant based upon poor advice from another accountant.

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