

# PENNSYLVANIA CPA JOURNAL

VOLUME 80, NUMBER 4

WINTER 2010

## ETHICS

### Tips from the Ethics Committee

By Kenneth L. Urish, CPA, CFE

It has been my good fortune and pleasure to serve on the PICPA Ethics Committee for the last several years. The focus of the committee, everyone should understand, is to assist PICPA practitioners and firms with ethics compliance and the avoidance of troublesome issues. The committee does not exist to mete out punishment. My participation has given me a unique perspective on the ethics issues faced by many PICPA members.

I've learned new lessons and had some basic rules of judgment reinforced. One thing, though, has become perfectly clear: if members apply common sense at the outset of a situation, most ethics complaints will be averted and never brought before the committee. Some simple common sense rules of conduct include the following:

- If you don't understand the area, stay away. Don't let a long-term client talk you into doing something that you are not familiar with. Instead, use your referral network and find someone who has the experience. Then, work with them or completely transfer the work to them.
- Don't be pushed into something by an aggressive client. There is usually a reason for the aggression – to get what they want without concern for you.
- Make sure you have the required CPE when entering new practice areas.
- Get help at the first sign of an issue. If you dig a hole in an engagement and you know it, find a way to remove yourself from the situation. It is better to stop when you know you are over your head than to make the problem worse; and it is much better to have a small problem than to waste additional time and make the problem bigger.
- People seem to be more litigious than

ever, so look to resolve issues quickly and put them behind you. CPAs sometimes have a tendency toward conflict avoidance. Addressing an issue or a client dilemma quickly may result in short-term trauma, but it also can develop long-term respect with less frustration.

- Don't be headstrong or let pride, ego, or just plain boneheadedness get you into an ethics mess. Apply the old standard that if a situation smells, don't get involved.

Areas vulnerable to lack-of-experience issues include pension and governmental audits. Both the Inspector General and the Department of Labor perform reviews of filed audits. Any violation that they find is forwarded to the Ethics Committee. If you don't have significant experience with these audits, bring in an experienced partner to assist you.

Disgruntled clients ultimately become ethics cases, especially if that client is planning on a future lawsuit. He or she often will initiate an ethics case to develop ammunition. First and foremost, always outline firm policies on fee collections from the moment someone becomes a client. As the International Ethics Standards Board for Accountants recently outlined in its *Code for Ethics for Professional Accountants*, receiving "advanced written agreement with the client" is the basis for remuneration and a safeguard from work-stoppage complaints.<sup>1</sup> In formal discussions and, most importantly, engagement letters, collection and stop-work policies should be clearly outlined so no individual on either side of the table is confused as to how the relationship should move forward.

Human nature dictates that we can all become victims of overexcitement when a new client is slated to come aboard – especial-

ly in the current economic climate. We all expect a smooth transition, and the thought of late payments or stop-work policies is something that is an afterthought; something included in prepackaged language added to the engagement letter because we have to. No. Address these policies with a client from the start; that way, surprises are avoided and arguments regarding fiduciary responsibility are circumvented.

Use your network and PICPA resources for assistance. You are not alone. The PICPA Ethics Committee is composed of 18 members who are your peers and are concerned for your success. Members look at pending cases with a practitioner's eye, and attempt to place themselves in the accused members' shoes.

If you have a threat of an ethics filing, first address it with your client. Then, consult with your professional insurance carrier and seek help to thwart the issue. If action is taken against you by either the AICPA or PICPA, address the problem and be cooperative. Most actions result in a form of censure that requires more education or withdrawing from an area of practice.

If you employ common sense and embrace the support of PICPA and your professional colleagues, your chances of appearing on the Ethics Committee's agenda will be greatly minimized. ■

<sup>1</sup> *International Ethics Standards Board for Accountants, Code of Ethics for Professional Accountants, June 2009, p. 29*

*Kenneth L. Urish, CPA, CFE, is managing partner with Urish Popeck & Co. LLC in Pittsburgh. He can be reached at [klurish@urishpopeck.com](mailto:klurish@urishpopeck.com).*