

Disengaging to Benefit your Firm and the Client

By Suzanne M. Holl

The subject of disengaging is typically thought of as (at best) unpleasant, but disengaging can be a practice management tool that increases firm profitability and creates a better situation for both the CPA and the client.

Today's clients are generally making more demands and expecting broader services at a time when CPAs are becoming more specialized. When clients expect more from you than what your experience and staffing enable you to provide, the resulting expectation gap could lead to a deterioration of the professional relationship. But that doesn't have to happen. By identifying clients and situations that call for disengaging, and by recognizing when to disengage, the CPA will be on the way to knowing how to disengage skillfully.

What Exactly Is Disengagement?

The disengagement process is as important as the engagement process in that it is a critical part of a successful practice. Initiated by the CPA, disengagement seeks to formally terminate the CPA-client relationship in the most positive way possible, freeing each party to pursue other professional ties.

A skillfully handled disengagement is mutually beneficial to you and the client. You are left with more time to grow your business by selling new services to existing clients, and to bring in new clients. The client from whom you disengage is also free to move on and find a successor CPA to meet their needs.

When to Disengage

A proactive attitude that treats disengaging as a practice management tool means, in part, putting into place a system that allows you to re-evaluate your client base on a regular basis, be it annually or semi-annually. Incorporating such a plan into your business practice enables you to monitor your client base and note any changes that could have an impact on your professional relationship.

Of course, even the most proactive evaluation plans will sometimes be thwarted, creating a need to disengage immediately due to a critical situation, such as the discovery of fraudulent activity. However, by using a procedure that enables you to regularly monitor your clients, you can better protect yourself and your business from having situations escalate into crises calling for disengagement.

Another benefit that comes from regularly evaluating clients is that you place yourself in an excellent position to gauge their changing business needs and therefore sell them new or different services that complement their growth or change.

Care needs to be taken when disengaging or withdrawing from an engagement after it has started, especially when the scope of the engagement includes audit, review, or compilation. Since attestation engagements are often used by the client for obtaining financing or satisfying loan covenants, disengaging while the engagement is in process requires careful attention to potentially negative effects.

Opportunity Cost of Continuing Relationship

Only you can decide whether it is in the best interest of your firm to continue a relationship with a client who makes you uncomfortable, upsets your staff, or otherwise exhibits unseemly behavior. Consider the time and energy your firm spends on serving that client. Working with certain clients may be so disruptive and upsetting that it is simply not worth the money they bring into the firm.

You should also carefully consider any changes in a client's business. Changes in management or in the direction of the business can create problems for you if you are not professionally staffed to perform the new, additional, or different services the client's business requires.

When you are not qualified to accommodate a client's new needs, yet choose to accommodate the client rather than disengage, you make yourself vulnerable to litigation. Not only are you inviting a potential lawsuit, but the firm is losing the opportunity to provide additional services to the existing client base and to build a stronger base in the firm's area of expertise – a course of action that could be far more productive and profitable for the firm. Consider different options to best serve the client, such as a friendly joint venture with another accounting firm that specializes in another area of expertise. Such arrangements can be quite successful.

CPAs often try to adjust to a client's changing behaviors or needs, especially for clients that have long-term professional relationships with the CPA. However, making adjustments can cause you to overlook risk factors and eventually expose you to disputes and lawsuits.

Pay Attention to Difficult Clients

When performing regular screening of existing clients, pay special attention to difficult or manipulative clients. Difficult behavior, such as consistently delinquent payment, should not be ignored and should be followed up. Take swift action on your own behalf to investigate. The following checklist of pertinent questions is intended to help you and your staff get to the heart of the matter and solve problems.

- What is causing the problem?
- Who is causing the problem?
- Does the client's behavior indicate that there is a problem with the service provided?
- Are you dealing with a manipulative client?
- Is the problem due to a personality conflict?
- Could someone else better serve the client?
- When did you first realize you had a problem with the client?
- What tipped you off – an unpaid bill? A change in attitude?
- Are you allowing emotional ties to overshadow professional concerns?

It is possible that the behavior you see now is a reaction to something you did months ago but is still bothering the client.

Additional Questions to Consider

- What can your firm do to better communicate with the client?
- Does the client feel the fees charged by your firm are too high?
- Was a new staff member assigned to the engagement?
- Is the client suffering a business or personal hardship?
- Is your firm's billing method clear?

Dealing right away with difficult behavior may save the relationship and help you avoid disengagement, or it may confirm that it is time to sever the relationship.

How to Disengage

When you decide to disengage, you should seek to terminate the relationship professionally and formally, in writing. At a minimum, the disengagement letter should always contain the following:

- A clear statement that you are disengaging and the effective date of the disengagement (e.g., We must formally end our relationship with you as your accounting firm [effective immediately, or as of [date]].);
- A description of any work that is in process or unfinished; and
- A statement of any due dates or filing deadlines that exist with regard to the work, whether finished, in process, or unfinished.

Review and edit your disengagement letter carefully to ensure that it is professional, objective, and rational. Situations that provoke disengagements are often emotionally charged. Don't let your letter reflect your personal feelings. Your client needn't feel antagonized in any way. When done effectively, disengagement can leave your client feeling that you have acted in the best interests of both parties.

Disengagement is an important practice management tool, and knowing how to do it skillfully and professionally will serve to help you expand your practice and avoid liability. Any time you need advice about a client situation or a disengagement letter, call your risk advisor.

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