

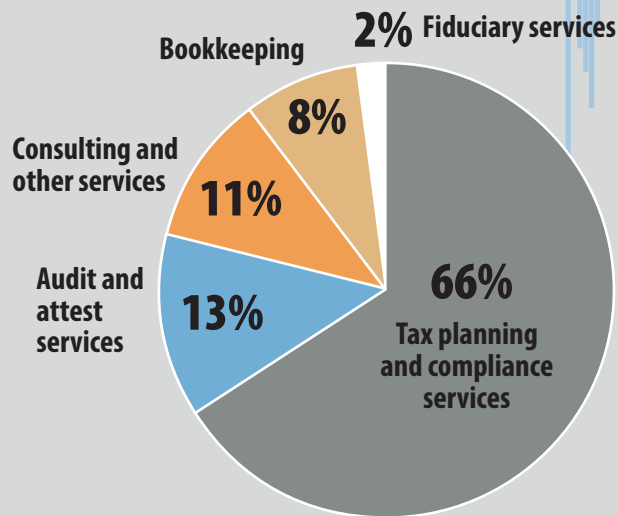
Understand your

By Daniel J. Gartland, CPA

No service, industry, area of practice, or CPA is immune from a professional liability claim. Fortunately, information is power. This infographic provides data that CPA firms can use to evaluate the risks in their practice and help address them appropriately. The numbers are based on claims data for 2017.

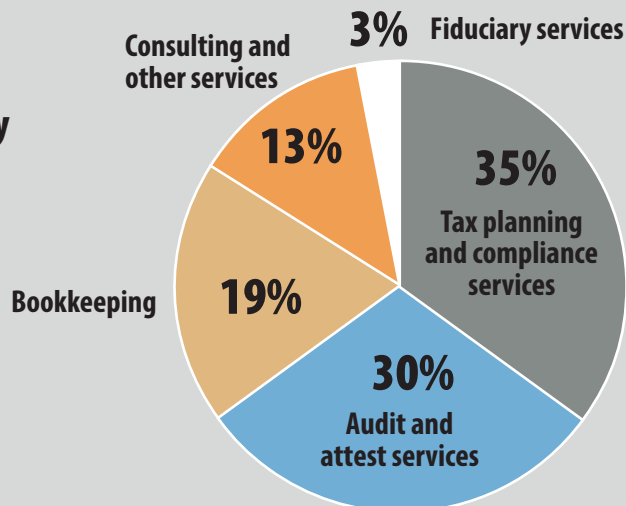
Claims asserted against CPA firms in the AICPA Professional Liability Insurance Program, by area of practice:

Percentage of 2017 claims



Failure to detect theft or fraud claims asserted against CPA firms in the AICPA Professional Liability Insurance Program, by area of practice:

Percentage of 2017 claims for failure to detect theft or fraud



Source: CNA Accountants Professional Liability Claim Database. Underwritten by Continental Casualty Company © 2018. All rights reserved. Charts by Tim Lee; Image by koksikoks/iStock

firm's risk profile

'Claims are like art: The more they age, the more expensive they become.'
 — Rebecca Toffolon, Esq., director, CNA Accountants Professional Liability Claims

Information to help reduce the likelihood of a claim in a CPA firm:

Knowledge of the potential causes of loss for an engagement may provide the necessary awareness to help avoid those same issues, as well as the ability to plan and manage the exposure on future engagements.

Top 3 causes of loss by area of practice:

Tax planning and compliance services

1. Failure to advise/improper advice
2. Filing errors
3. Failure to detect theft or fraud

Audit and attest services

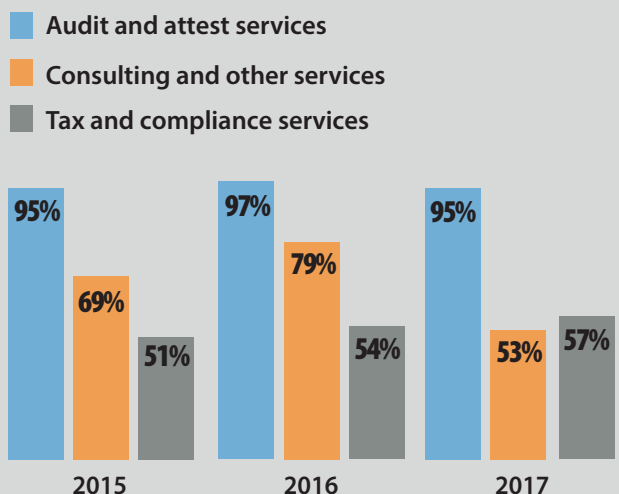
1. Failure to detect misstatement or disclosure errors
2. Failure to detect theft or fraud
3. Failure to advise/improper advice

Consulting and other services

1. Failure to advise/improper advice
2. Failure to detect theft or fraud
3. Breach of fiduciary duty

3 things that help in the defense of a claim are an engagement letter, strong documentation, and early reporting of issues.

Engagement letter usage, by area of practice, claims asserted 2015–2017:



'Reporting claims early can give you the opportunity to gain insights from others; sometimes this includes experts in the field, and that early analysis may be key to resolving a claim — sometimes even before litigation is filed.'

— Dianne Wainwright, Esq., partner, Margolis Edelstein

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