

The Dos and Don'ts of Disengaging

By Duncan B. Will, CPA/ABV/CFF, CFE

Whether due to the "great resignation," the "great reassessment," or the "baby boomer departure," the CPA profession is experiencing a diminishing workforce while facing "standards overload," handling a variety of relief programs, coping with innumerable IRS issues, and dealing with the constant stress of limited resources and elevated client demands.

What can you do?

If you are like many CPAs, you are reflecting on the busy season you just traversed. You are reassessing your quality-of-life chart and have identified issues or clients you wish were no longer accompanying you.

Do not let the passage of time numb you to the stress and frustration you experienced. Now is the time to say, "happy trails" and dismiss these select few clients. **Yes, now is the time to explore disengaging.**

This is the topic — the dos and don'ts of disengaging.

Too many CPAs prioritize the "client acceptance" process and don't equally follow the important "continuance" component of the client acceptance and continuance process.

Undesirable individuals aren't the only reason to terminate clients. You should also consider disengaging when:

- Clients fail to pay or are slow to pay.
- Relationships deteriorate or you no longer possess the competence or capacity to perform the services sought.
- The risks outweigh rewards or when there is a conflict of interest.
- Your independence (on attest services) is threatened or impaired.

Once you realize the client relationship should end, take a moment to do it right. Disengage in writing, **but** only after you have laid the groundwork.

Start with verbal communication

Don't surprise clients you terminate with a letter informing them of your decision. Get personal and talk to them. Recognize that it may be painful and difficult, but the good-natured touch will typically smooth the transition.

Explain your reasoning, listen, and be empathetic.

You do excellent work, you have been a constant in their lives, and the change will likely not be welcomed as they won't want to lose you. So, expect an emotional appeal. Know it is coming and stick to your guns.

Disengage in writing

Shortly after your disengagement conversation, memorialize your conversation with a "tweaked version" of the hybrid disengagement letter you crafted — in collaboration with a CAMICO Loss Prevention Specialist — using language harvested from illustrative disengagement letters. Yes, you've already had the difficult discussion, but your job is not complete until you finish the paperwork. It's best to expeditiously communicate your decision, but you need defensive documentation of your client receiving your disengagement communique.

Email can be the solution if your client promptly replies to your email. A client's email response acknowledging receipt eliminates the need to obtain proof of delivery from the delivery service. Use your understanding of the client to best gauge how to obtain that defensive documentation. While email is the fastest alternative, clients may find email too informal and not reply. If not, send a disengagement notification to your client via a mechanism that provides a return receipt or other proof of delivery. Certified mail has historically been the preferred mechanism, but some parties (expecting news they don't wish to accept) decline to sign an acknowledging receipt. If you opt to send the communique via email, and your client does not reply via email, follow up with a mechanism that provides proof of delivery.

Include your last date of service

Don't be ambiguous. State the last date of service. Nine times out of 10 it is best to disengage and have no further client expectations. Ideally, you collect on the last item you agreed to deliver and promptly disengage. Often, you are peppered with requests, your client is slow to pay, and you must disengage with work in process or on the horizon. So, state that the most recent deliverable was your last or the penultimate.

Work status/pending due dates

You will want to "exit stage left," but will be dragged back in if you don't take the time to state the status of services you were performing and detail the due dates of items on the horizon, regardless of whether you had formally been engaged to perform those services.

Why? Because if you don't and your client or your successor makes a mistake, you may be blamed for their oversight. Smoothing the transition reduces the likelihood of ruffled feathers that might result in allegations you were negligent.

Account balance status

Outstanding invoices and work in progress are commonplace when accountants disengage. Collecting these fees may prove problematic, but detail amounts they owed you in your disengagement letter, attach copies of the invoices, and state "your prompt payment will be appreciated" to significantly increase the likelihood you get paid. Pointing out the amounts owed also provides psychological

leverage against clients' unreasonable demands and expectations.

Encourage retaining a new CPA ASAP

Be sure to encourage clients you terminate to secure the services of another qualified professional. Doing so is great advice, an act of courtesy, and an excellent defensive measure. The sooner former clients establish a relationship with your successor, the greater the likelihood that clients' bills will dissipate, and their accounting and other professional needs are timely met.

Occasionally, CPAs are tempted to provide those terminated with someone to consider as their successor. Do not. Instead, when wishing to offer referrals, offer at least two names and encourage former clients to perform their own due diligence. Suggesting one and only one person exposes you to liability should the former client later allege your successor didn't meet the standard of care.

Cooperation with successor

The sooner and smoother the transition to your successor, the better it is for you and your former client. As such, it's typically best to make an offer in your disengagement letter to "cooperate as necessary" with your successor.

Your offer to cooperate doesn't indicate you will bend over backwards or donate your time. Rather, your cooperation will be contingent on factors that need not (and should not) be specified in your disengagement letter.

If your transition assistance is sought, first obtain written authorization from your client to speak openly and share information with the specified professional(s). Second, secure the successor(s)' signed agreement to the terms of your cooperation (the CAMICO [Members-Only Site](#) offers illustrative versions based upon the nature of the services provided), and lastly, consider leveraging your cooperation pending payment of your outstanding fees and possibly a retainer to cover the anticipated cost of your cooperation. However, keep in mind that the AICPA prohibits its members from withholding client-provided records,¹ and your state board of accountancy may prohibit withholding records, even though fees are owed for work you have performed.

Disposition of all client records

CPAs are often tempted to enclose client records in the same envelope they send their disengagement letter. Do not. Clients have been known to allege they did not receive the CPA's disengagement letter. Problems compound if client records are lost.

Instead, ask the client when you converse (or in the disengagement letter) how they wish for you to provide them with the records they desire. And just to be safe, retain copies for your records of any records returned.

Consider sending your letter to multiple parties

If concerned that certain owners or those charged with governance will not hear of your disengagement or your reasons for disengaging, consider the “noisy disengagement” option. Noisy disengagement letters are identical to traditional disengagement letters but are addressed to the parties you are concerned might not promptly learn of your disengagement or reasoning. Be cognizant of the AICPA’s [Confidential Client Information Rule](#)² which prohibits accountants in public practice from disclosing confidential client information without client consent. Sharing the disengagement letter with owners and those charged with governance typically would not violate the Rule but be careful not to inadvertently violate it when wishing to alert others you terminated the relationship.

Be professional, not emotional

It can be cathartic to colorfully detail your reasons for disengaging but be mindful that your openness can have consequences. Experience has shown that letting clients down easy typically results in the quickest and least eventful parting of ways. Having a right to do something doesn’t make it the right thing to do.

CAMICO encourages policyholders to craft their letters using one of the illustrative letters available on the [Members-Only Site](#) as a foundation and to share Microsoft Word versions of their hybrid letters with CAMICO. CAMICO Loss Prevention Specialists have helped draft tens of thousands of disengagement letters. Specialists provide policyholders feedback by using the software's Track Changes feature. Policyholders should use their professional judgment, understanding of their clients, and personal writing style when deciding whether to accept or decline specialists’ suggestions.

¹ ET 1.400.200, Record Requests

² ET 1.700.001

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