

Factors To Consider When Screening Potential Clients & Deciding Whether To Accept The Engagement

1. *Your client's industry group –*
Do you have the knowledge and resources to properly analyze your client's financial information and provide the requested services? For example, auditing a financial institution requires very specific knowledge of banking regulations. Do you have that specific knowledge?
2. *Type of accounting services your client requests –*
Do you have the knowledge and resources to complete the engagement? For example, you may provide tax returns and review financial statements for your insurance agency client. The client requests a valuation report on the agency's net worth. You may not have the requisite knowledge or experience with the insurance industry to properly value the business.
3. *Your client's financial condition –*
Your client's financial condition, including its profitability, cash flow, debt load, capitalization, and if applicable, stock price should be reviewed regularly. A company experiencing financial difficulty is a high risk, particularly if you are being asked to provide financial statements. A client in financial difficulty may also tend to overstate assets and revenues and understate liabilities and expenses, particularly if the financial responsibilities have been handled by one manager over a long period of time.
4. *Your client requested an audit –*
If an audit is requested, the company's prior auditors and lawyers should be contacted to determine why a change in auditors has occurred and if any problems arose with the client that caused such a change. You may need to obtain client permission.
5. *Assessment of your client's business practices –*
Your client's business practices should be assessed because a company without established accounting policies and financial statement procedures may be a higher risk.
6. *The engagement letter –*
To protect yourself against malpractice claims, draft and have your client sign a detailed engagement letter setting forth the exact services you were retained to perform, the fees associated with each service, the particular documents your client will provide before you can commence the work, when you will commence the work, the estimated completion date, and other relevant details.

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7. *The non-engagement letter –*

If after analyzing these factors you realize you are not equipped to handle the matter and you sense that your client may not be cooperative and is not being straightforward, draft and send a non-engagement letter, and move on to a representation you feel better about. The letter is typically perfunctory, thanking the potential client for her interest but confirming you have not been retained to do anything and have not agreed to render any professional services. The risk avoidance benefits of the non-engagement letter make it well worth the minor effort involved in drafting and mailing it.

These sample engagement letters, checklists, and practice and consent forms are for illustrative purposes only. We recommend you use these letters and forms only after you have consulted with your attorney. Since your practice may be different than those described in the sample letters and forms, we recommend that you modify them to suit your individual practice needs. Use of these sample letters and forms is not intended to constitute a binding contract, does not constitute legal advice, and does not satisfy your obligation to do thorough research. © Gilsbar Specialty Insurance Services, L.L.C. and Date.