

RedZone Play of the Month

Taking Successful CPA Firms to the Next Level

ACCOUNTANTS ADVISORY GROUP, LLC
PRACTICE MANAGEMENT • MARKETING • HUMAN CAPITAL

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“Would Your Firm Receive a Succession Concern Opinion?”

If a CPA firm’s succession plan were required to be audited, how many audit opinions would be a “succession concern”? Perhaps a pronouncement similar to SAS No. 59 (going concern evaluation) would be applied, such as The Auditors Consideration of CPA Firms Ability to Continue as an Independent Firm in the Future. Similar to the guidelines in SAS No. 59, the auditor would be required to identify existing conditions that indicate substantial doubt about the CPA firm’s succession plan.

These considerations could be divided into the same four categories applied in SAS No. 59:

1. Negative trends—Inability to attract and retain future partners, lack of a formal succession plan for client service partners, minimal partner accountability to achieve the firm’s goals and objectives, no clear vision of the future and therefore managing the firm day-to-day.
2. Indication of future financial difficulties—Unfunded partner retirements/buyouts, baby boomer partners retiring in the next few years, slow revenue growth, lack of current and future “rainmakers”, and significant increases in future labor costs.
3. Internal matters—No succession plans for the firm’s current leadership and founders, no formal career development program for staff, inability to implement positive change, not managing the firm like a business, and partner complacency pertaining to marketing and upgrading the client base.
4. External matters—Rapid accounting industry consolidation, private companies recruiting talented partners and staff, and tremendous competition from larger firms for clients and staff.

The pronouncement may go on to say, “when after considering conditions and events in the aggregate, if the auditors believe that substantial doubt may exist, they should consider management plans for dealing with the effects of these conditions and events. After taking all of this information into account, if the auditors conclude that substantial doubt remains, the audit report should include an explanatory paragraph to reflect this ‘succession’ uncertainty”.

If substantial doubt exists in your firm about the ability to remain independent, then management should take the necessary steps to deal with the effects of a possible “succession concern opinion”. It’s time that CPA firm partners apply similar SAS No. 59 audit standards to their firm’s succession plans to assess their ability to remain independent and avoid a “succession concern opinion”.

Executing the right
"game plan" to ensure
future success.



Accountants Advisory Group, LLC is a strategic consulting firm that incorporates state of the art practice management, marketing, and human capital strategies to assist CPA firms in achieving long-term success and profitability. Our **RedZone Practice Management** is designed for accounting firm partners who are ready to take their firms to the next level of success. For more information contact Joseph Tarasco.

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