

Accounting Office Management & Administration Report

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30 Key Facts to Check Before Adding Partners

If your CPA firm is looking to acquire another firm—or if you are planning to sell the firm—the partners on opposite sides of the table need to get to know each other well. This goes beyond just looking at the revenues, niches, and staff of the respective organizations. In addition to those basics, you need to understand how well incoming partners will fit culturally and in terms of firm operations.

AOMAR recently came across a checklist that can help firms determine whether they are truly compatible with "acquired" owners from other firms. The list originally appeared in The Missouri Bar Law Practice Management Online Center (www.mobar.org), and was intended to help law firms prevent mismatches with new lateral partners. We've adapted it to suit a CPA firm approach and to include issues that even careful due diligence might not uncover.

In addition to asking—and answering—the questions on the checklist, its original author recommends talking to others who would be familiar with an incoming partner's work: CPA firms, clients and staff the partner has worked with, and other professional resources in the community such as lawyers, bankers, and insurance companies.

Here are the suggested questions:

1. How do you see our combined practice developing during the next five years? The next 10 years?
2. What do you think are the biggest challenges to building a successful practice in your specialty?
3. What are your most significant business development activities at the present time? How has your business development strategy changed over time? What are your ideas for how we can combine our marketing efforts?
4. In your current practice, do you have a marketing budget? What percentage of your gross revenues do you commit to the marketing budget?
5. What do you see as your most significant benefit from joining our firm?
6. How do you keep up with developments in your specialty? What professional publications do you read regularly?

7. How many hours per year of CPE do you either attend or teach?
8. Do you routinely use written engagement agreements?
9. What strategies have you developed to maximize your fee collections?
10. What percentage of your billed fees do you collect?
11. What are the amounts of the five largest receivables you currently have? What are you doing to collect those fees? What would you do differently to avoid this situation in the future?
12. How frequently do you send out bills? Do you use a time-and-billing program? Which one? Do you record your time contemporaneously?
13. Have you ever sued clients for outstanding fees?
14. What are your strategies for time management and for completing engagements in a timely fashion?
15. How do you plan to ensure you are covered in your absence for such partner emergencies as a death in the family or a serious illness?
16. What are your strategies for avoiding malpractice and protecting yourself and the firm from claims?
17. What are your procedures for the intake of potential clients and for checking conflicts of interest?
18. Do you have disability, health, and life insurance? Is your estate planning up to date? Do you have a health care directive?
19. Have you taken any CPE courses on practice management issues? Do you read any publications devoted to practice-management issues?
20. What do you see as the key practice-management issues that our firm will confront?
21. What do you consider to be the practice-management responsibilities that you do best?
22. If you could choose specific practice- management issues that you would have primary responsibility for in our firm, what would they be?
23. Based on your experience and observations in your current firm, are there things that you would like to do differently with regard to practice management?

24. What area of practice management do you feel you need to know more about in order to be more effective in the running of our firm? How will you acquire the knowledge you need?

25. What do you consider to be the most appropriate compensation formula for our firm? Do you believe the formula should be totally objective, or should there be subjective elements? How would you see us resolving disputes about compensation?

26. What do you like to do when you are not working as a CPA firm partner?

27. Have you had any mentors since you became a CPA? How did they help you to become a better CPA?

28. Have you been a mentor to any younger or less experienced CPAs? Was that a rewarding experience for you?

29. What is your view about whether we should hire staff and when?

30. Do you want to grow or stay small? What number of partners do you consider optimal?