DOL Waves Red Flags for CPAs

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Last month, CPAs from around the country convened in Minnesota to take part in the State CPA Society's annual conference. Despite an early season snow storm, the CPAs and other financial professionals in attendance had no trouble getting fired up over recent developments in the accounting profession.

Topics put forth by representatives of the Department of Labor were of special interest to conference attendees. The DOL increased its warnings related to the responsibilities of corporate fiduciaries, causing many CPAs to worry they could inadvertently find themselves in the role of Plan Fiduciary.

The concern in the accounting profession is that CPAs who are not educating their corporate clients, or who are failing to disclose in their Opinion Letters the steps their clients have taken to fulfill their ERISA obligations, will not only increase the potential for more litigation claims against their clients, they may also be included as possible defendants in any ERISA-related lawsuit.

CPAs discussed concerns that they could be held personally liable in the event of a lawsuit on two fronts: employees can name the CPA in an ERISA-related lawsuit; AND shareholders in the company (who may or may not be employees) can file a SOX-related lawsuit, if they felt they were mislead by the company's financial statements.

Opinion Letters, signed by a public company's CPA, offer some protection. However, this protection is limited by a CPA's knowledge of the ERISA and SOX guidelines, and by whether the CPA discloses the potential liability the client may face under these laws. As if this double whammy weren't enough, here the DOL also highlighted another issue that greatly concerned CPAs: An alarming number of 5500s are being filed without the CPA's Opinion Letter.

These liability concerns are spurring many CPAs to look into other areas of specialization within the accounting field.

Many CPAs specializing in the estate and tax planning fields discussed the growing corporate demand for unbiased Financial Literacy Education, its minimal liability exposure, and the increased market visibility this education provides. CPAs are finding that Financial Literacy Education not only protects their clients from possible ERISA-related litigation, it can also give their CPA firms exposure to hundreds of potential tax and estate planning clients each year.

The increased corporate motivation for Financial Literacy Education suggests this is a promising avenue for progressive CPAs to explore. Corporations are recognizing that providing Financial Literacy Education is a cost-effective solution to reducing ERISA-related liabilities, while helping their employees plan for the future.

Submitted by LFE Institute. The LFE Institute has been providing Financial Literacy Education in the corporate marketplace since 1986. Its curriculum was developed by Alice Whinnery, a former CPA with PricewaterhouseCoopers. To learn more about how LFE is working to promote Financial Literacy throughout the U.S., please call us or visit our web site.