PRACTICE MANAGEMENT CHECKLIST

This is an optional Practice Advisory Service and does not form part of the Mandatory Practice Inspection Program. CGA Ontario encourages you, however, to make full use of this service and derive maximum benefit from the expertise and experience of the Practice Inspector in this field.

INSPECTED BY ______________________________

INSPECTION DATE ______________________________

FIRM NAME _____________________________________

CGA ONTARIO
BUSINESS PLANNING

Questions on the overall condition of the firm’s planning system:

1. Does the firm presently have a comprehensive business plan?

2. If not, are the partners aware of the benefits to be derived from developing and maintaining a comprehensive business plan?

3. Does the firm use a step-by-step schedule for the planning process?

4. Has the firm considered its strengths, weaknesses, opportunities, and threats?

5. Has the company developed defensive objectives to cover weaknesses and threats?

6. Are specific, prioritized strategies developed for each objective?

7. Does the firm require the strategic plan to be approved by all partners before it is adopted?

8. Does the firm prepare monthly budgets in conjunction with a business planning process?

9. If the firm is primarily a cash basis entity, is the budget prepared using primarily the cash receipts and disbursements approach?

10. If the firm uses an accrual basis of accounting, does it prepare budgeted income statements, balance sheets, and statements of cash flows?
11. Do the budget captions and formats match those of the firm’s monthly financial statements to allow for easy budget-versus-actual comparisons?

12. Does the firm require the budget to be approved by all partners before it is formally adopted?

13. Is individual performance judged against preset objectives?

14. Do the strategic planning objectives drive the individual’s performance goals?

15. Is the reward system (including both financial and nonfinancial rewards) structured to favor those who achieve their performance goals?

16. Does the firm have a quarterly review process for tracking how actual performance compares with the plan?

17. Is the plan updated to reflect new information and facts as needed?
BILLING, COLLECTING, AND MANAGING CASH FLOWS

Questions on the overall condition of the firm’s billing, collecting, and cash management system:

1. Does the firm periodically review its billing policies to determine whether the most advantageous billing method is being used on each engagement?

2. Do the firm’s billing rates adequately cover the firm’s costs and provide for an acceptable profit?

3. Are the firm’s fees comparable to those of similar firms in the area and, if not, can the firm justify the differences?

4. Are the individuals responsible for conducting an engagement involved in the billing and collecting process?

5. Do the firm’s bills clearly and adequately describe the services provided so that client questions and collection delays are reduced?

6. Does the firm bill promptly at the completion of an engagement or, for longer engagements, does the firm prepare monthly progress billings?

7. Does the firm routinely investigate downward billing adjustments and take appropriate actions to prevent their recurrence?

8. Do the firm’s engagement letters enhance collection efforts by clearly communicating the fee estimate, payment terms, and other billing and collecting policies?
9. Does the firm have specific collection procedures that are automatically implemented when an account becomes past due?

10. Does the firm review its significant expenses periodically and investigate ways to reduce them?

11. Does the firm maximize its use of cash by postponing cash disbursements as long as possible?

12. Does the firm monitor cash inflows and outflows to ensure that sufficient cash will be available to fund operations during periods of negative cash flows?

13. Does the firm invest its temporarily idle cash rather than allow it to remain in noninterest-bearing chequing accounts?

14. Does the firm have access to an alternate source of cash, such as a revolving line of credit, to fund temporary cash shortages?
PRACTICE DEVELOPMENT

Questions on the overall condition of the firm’s practice development policies:

1. Does the firm develop service strategies for clients?

2. Does the firm periodically survey or personally contact clients to determine whether they are satisfied with the firm’s service?

3. If a client leaves the firm, does the firm determine why and, if necessary, take appropriate actions to prevent further losses?

4. Does the firm make its clients aware of all of the services the firm can provide?

5. As it performs services for an existing client, does the firm actively look for additional services that may be needed and attempt to sell those services to the client?

6. Has the firm considered providing consulting and other nontraditional services?

7. Does the firm use indirect marketing techniques such as (a) speaking at civic and professional events, (b) sponsoring professional conferences and seminars, (c) sending newsletters to clients and prospective clients, (d) writing articles for newspapers, magazines, and other publications and (e) conducting surveys and publishing the results.

8. Does the firm encourage all of its employees to become involved in the firm’s marketing efforts?

9. Does the firm maintain a list of clients, potential clients, referral sources, and press contacts?
10. If so, is the list reviewed and updated at least annually?

11. Does the firm have a formal marketing plan and budget?

12. If so, does the marketing plan:
   
   a. Evaluate firm capabilities in terms of professional skills, staff availability, and commitment?

   b. Analyze the firm’s market position?

   c. Analyze existing competition?

   d. Discuss the services the firm currently provides for its clients?

   e. Identify markets the firm wants to serve?

   f. Develop a marketing strategy designed to help the firm achieve its marketing goals?

   g. Select and coordinate specific indirect and direct marketing techniques?

13. Does the firm monitor the success of its marketing plan and modify it as necessary?

14. Does the firm formally evaluate whether to accept or reject a prospective client?
15. Do the firm’s written proposals contain the following:
   a. Profile of the firm including its history, office locations, and types of services offered?
   b. Information about the firm, partners, and professional staff members that is relevant to
      the type of engagement and the prospective client’s industry?
   c. If applicable, a response to each item mentioned in the “request for proposal”?

16. Do the firm’s written proposals convey a competent, professional image for the firm by being
    attractive and easy to read, free of errors, and produced using high quality materials?

17. If a prospective client rejects the firm’s proposal, does the firm:
    a. Ask the prospective client who won the work and why?
    b. Add the prospective client’s key officers to the firm’s mailing list?
SAMPLE CLIENT SATISFACTION SURVEY

Dear Client:

We constantly strive to provide the highest quality service to our clients. In order to assess the success of our efforts in this regard, please take a few moments to answer the following questions about the services we have provided you during the past year. Please explain any NEVER or NO answers in the “Additional comments” section at the bottom of the page. You may identify yourself in the space provided or you may remain anonymous. If you would like to discuss any of your answers further, feel free to attach additional pages to your response.

Name (optional): 

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<th>Always</th>
<th>Sometimes</th>
<th>Occasionally</th>
<th>Never</th>
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<td>I receive prompt responses to my telephone calls and other inquires.</td>
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| [ ]    | [ ]       | [ ]          | [ ]   |
| The firm employees with whom I have worked possess a high degree of technical skill and understand the details of my business/personal finances. |

| [ ]    | [ ]       | [ ]          | [ ]   |
| My work has been performed accurately and in a timely manner. |

| [ ]    | [ ]       | [ ]          | [ ]   |
| I am treated with respect in a courteous and friendly manner by everyone in the office. |

| [ ]    | [ ]       | [ ]          | [ ]   |
| The firm employees with whom I have worked provided a number of useful suggestions for improvement. |

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<th>Yes</th>
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<td>I would recommend your firm to my friends and associates if the occasion arises.</td>
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<td>I would like to be contacted by a firm representative about my answers in this survey.</td>
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I would like to discuss the following additional services your firm can provide to me.

Additional comments:

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
PHYSICAL OFFICE MANAGEMENT

Questions on the physical organization of your office and files:

1. Is the firm’s office equipment in good working condition?

2. Is the firm’s computer software updated regularly?

3. Is file storage well organized and easy to understand?

4. Are client files protected from fire and theft?

5. Does the firm have clear policies about file retention?

6. What safeguards ensure that files are not inadvertently lost or destroyed?

7. Is your office arranged so that clients have a sense that their records and documents will remain confidential (eg: counter or space between main office and client waiting area, dividers between desks in open work areas)?

8. What types of insurance does your firm carry (other than E & O) (eg: liability, valuable papers, tenant liability, fire, automobile, wage loss, employee insurance plans, business interruption, etc.)?

9. Do you have any other comments specific to your situation?
DATA PROCESSING SYSTEMS

Questions on the policies and procedures which ensure that all data processing engagements (whether manual or computerized) are conducted with due care and that reports provided to clients are accurate and useful.

1. Does the data processing staff know the software? Are user manuals available?

2. Does your firm use recognized software with accessible user support?

3. Does your firm have contingency plans in case of hardware failure?

4. Have you taken back-ups of all software? Do you keep off-site copies?

5. Do you back-up data disks on a regular basis? Keep off-site copies?

6. Does your firm make sure that back-up disks are undamaged before restoring data back to operating system?

7. What procedures ensure that data received from client for recording is authorized?

8. Do you use job control sheets to keep track of flow of client records through your office?

9. How do you make sure input is complete and balanced before data entry?

10. Do you use a password system to ensure only authorized staff has access to programs and data?
11. Does an audit trail exist that permits tracing transactions through the system from the financial statements back to their origination and vice versa?

12. Does the audit trail document who authorized and performed the entry of the data in your office?

13. Does someone in your office who is knowledgeable and who did not record the transactions review output before it is released to the client?

14. How detailed is their review and what do they look for? (eg: reasonableness of ratios, sub-ledgers agreed to g/l, bank rec agreed to g/l, etc.)?

15. How do you document that review?

16. Does your firm’s system have virus protection?

17. Are you properly licensed to use all software?

18. Do you have any other comments specific to your situation.
MAINTENANCE OF STANDARDS

Questions on ensuring that partners and staff all stay current in the areas of audit and accounting standards, financial reporting trends, tax revisions, etc:

1. Who files or installs Public Practice Manual (both Canada and Ontario) updates and updates of the two CICA Handbooks (Accounting and Assurance)?

2. How do you advise staff and other partners of changes in standards and what their impact on file and financial statement preparation will be?

3. Does your firm subscribe to a tax service?

4. Are professional practice updates circulated around the office? Who is responsible for this?

5. Do you plan ahead for PD to make sure that all relevant areas of your practice are covered on a regular basis, either by partners, staff or both?

6. Do you monitor the PD of designated staff and the partners to make sure CGA Ontario’s professional development requirements are met without having to “scramble” at the last minute?

7. Do you have any other comments specific to your situation.
PERSONNEL MANAGEMENT

Questions on the overall condition of your firm’s personnel policies:

1. Does the firm have an employee handbook?

2. Does the firm have formal policies that are communicated to each employee (through the employee handbook or other means) that address the following:
   a. The employment relationship?
   b. Expected employee conduct?
   c. Compensation and benefits?
   d. Leave of absence policies?

3. Does the firm have established hiring policies that address procedures for screening and interviewing prospective employees, performing reference checks, and conducting pre-employment testing?

4. After making its hiring decision, does the firm notify all successful and unsuccessful candidates in writing?
5. Does the firm document the hiring process by creating job files that include the following for each employment opening:
   a. Analysis documenting the need and authorization to hire?
   b. Job description?
   c. Copies of job advertisements and a list of advertising sources?
   d. Resumes and applications?
   e. Interview question sheets and evaluation forms?
   f. Results of reference checks?

6. Does the firm’s record retention policy provide for the destruction of job applications and resumes after an appropriate period of time has elapsed?

7. Does the firm conduct an orientation program for new employees?

8. Are the firm’s salary levels competitive with those of similar firms in the area?
9. Do the firm’s compensation policies address the following:
   a. Paid vacation?
   b. Paid holidays?
   c. Sick leave?
   d. Retirement plans, insurance, and other fringe benefits?

10. Does the firm monitor the continuing professional education hours obtained by each partner and professional staff member to ensure that CGA Ontario’s professional development requirements are met?

11. Does the firm’s training program ensure that the staff is adequately trained in the specific services or industries the firm wishes to practice?

12. Does the firm provide training for nonprofessional staff members?

13. Does the firm perform written employee performance evaluations on a timely basis?

14. Does the firm communicate its expectations to employees before the evaluation process begins?

15. Are the firm’s expectations of employees clearly defined and measurable?
16. Does the firm consider the opinions of clients as well as supervisors when evaluating an employee’s performance?

17. Does the firm’s culture communicate the message to employees that they are valuable and deserving of respect?

18. Does the firm’s work environment facilitate quality of life and work balance, such as by offering flexible work arrangements, permanent part-time positions, and seasonal positions?

19. Is information about the firm communicated to employees (for example, financial information and firm goals and objectives)?

20. When an employee resigns, does the firm determine why and, if necessary, take appropriate actions to prevent further resignations?

21. If an employee is fired, is the firm able to show the following:
   a. A business-related rule or performance standard existed and the employee knew or should have known about the rule?
   b. The employee had opportunities to state his or her case?
   c. The firm knows, rather than merely suspects, that the employee violated the rule or performed incompetently?
   d. The rule has been similarly applied in the past?
   e. The firm has complied with all of its own procedures for managing the situation?

22. Does the firm conduct an exit interview with any employee who resigns or is fired?
AVOIDING LEGAL LIABILITY

Questions on the overall condition of your firm’s ability to avoid legal liability:

1. Does the firm use checklists, programs, and other practice aids to ensure uniformity of practice and that all necessary procedures have been properly performed?

2. Are all of the firm’s engagements properly supervised and the work reviewed?

3. Has the firm considered measures such as the following to limit its liability exposure:
   
   a. Limiting the scope of the firm’s practice?
   
   b. Limiting the clientele that the firm serves?
   
   c. Eliminating sub-par professional employees?
   
   d. Using engagement and disengagement letters?
   
   e. Using management representation letters and management letters?
   
   f. Using document retention policies?

4. Does firm policy require all tax advice to be in writing?
5. Does the firm have a policy of not suing clients for unpaid fees?

6. Does the firm use other loss prevention techniques?

7. Does the firm have established policies and procedures that it follows when:
   a. An error related to a prior engagement is discovered?
   b. A client threatens a claim?
   c. A client declares bankruptcy?
   d. A client is sued based on financial statement errors?
   e. A client is assessed by tax authorities?
   f. A client is victimized by employee embezzlement?