



Secretary Carol Aichele

PENNSYLVANIA STATE BOARD OF ACCOUNTANCY



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Who Owns the Working Papers

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As many Certified Public Accountants and Public Accountants have come to know in their professional practice, clients or former clients may request that working papers be turned over or provided from their file contents either to them or to a successor practitioner. What do you do? The CPA Law, Act of May 26, 1947, P.L. 318, as re-enacted and amended, 63 P.S. §§9.1 *et seq.*, at Section 11 (63 P.S. §9.11) and Board regulation at Section 11.31 (49 Pa. Code §11.31) provides guidance, and this brief article is not intended as legal advice, but merely as some information to provide direction and assistance to the credentialed professional posed with such a request. The purpose of this article is to provide general information, not legal advice, and is not an advisory opinion and is not binding on the Board.

Section 11 of the CPA Law is titled "Ownership of Working Papers" (63 P.S. §9.11). This law is organized into two subsections: the first addresses the issue of work paper ownership, and the second addresses the application of the first section to an array of common scenarios. Section 11(a) of the CPA Law provides, in essence, that all work papers and records prepared for a client engagement, except reports submitted to a client and records or documents provided by a client, are the property of the Accountant in the absence of an agreement to the contrary. The CPA Law continues that an Accountant must provide a client or former client with a copy of the client's tax return and a copy of any report or other document issued to the client upon request, and made within a reasonable time after original issuance of the document. Board regulation provides that a licensee "shall comply with the request within a reasonable period of time." (49 Pa. Code §11.31)

A possible or plausible ground for contention is covered in Section 11(b)(3) of the CPA Law where it is directed that "A copy of the licensee's working papers [shall be furnished to the client or former client] to the extent that such working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client. However, a licensee may require that fees due the licensee with respect to completed engagements be paid before such information is provided."

The CPA Law leaves "such working papers...that would ordinarily constitute part of the client's records and are not otherwise available to the client" open for interpretation. The statutory and regulatory law also does not specifically define the "reasonable time" and is silent on the matter of photocopying expense associated with compliance.

Notwithstanding, guidance is available via the Pennsylvania Institute of Certified Public Accountants¹ (PICPA) Code of Ethics, Section 501, Interpretation .02, with the following defined terms:

Client-provided records – Accounting or other records belonging to the client that were provided to the CPA.

Member's work products– Deliverables that the member was engaged to prepare for the client.

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Member-prepared records – Information not reflected in the client's books and records that, if otherwise not available to the client, would result in the client's financial information being incomplete. Includes adjusting, closing, combining, or consolidating journal entries and supporting schedules and documents that are proposed or prepared by the member during an engagement.

Member's working papers – Include audit programs, analytical review schedules, and statistical sampling results, analyses, and schedules prepared by the client at the request of the member.

Whereas the CPA Law speaks to client-owned or licensee-owned materials only, the PICPA Code of Ethics takes into account an intermediate category composed of member's work products and member-prepared records. The Code explains that when a request comes in for client provided records, member's work products or member-prepared records, the Accountant should provide the materials, except that such materials may be withheld if the preparation of

such records is not complete, fees due the member for the engagement to prepare those records remain unpaid, or withholding such records is necessary to comply with professional standards. Member's working papers are the member's property and need not be provided to the client, except as may otherwise be required by state and federal statutes and regulations or contractual agreements.

It is prudent for the Accountant to acknowledge in writing any work paper request, with words of assurance that the request will be considered promptly and that a further response will be forthcoming. The PICPA Code of Ethics states that a request should be honored within 45 days. Any response to a request should be specific in terms of what you as the licensee agree to turn over and what, if anything, you will be withholding. The tone of the response must be professional, striving to avoid language that may be construed as dilatory, and offering an explanation as to any records withheld, and address fees owed, if and when appropriate.

The State Board of Accountancy and licensees of the Board are responsible to follow our laws and regulations for the benefit of the profession and especially for the protection of our citizen consumers of public accounting services.