Accountants, lawyers collaborating more often

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Accountants and attorneys routinely cross paths as their clients’ needs — how to pass along the family business, for example — often require both sets of expertise at some point.

But sweeping new laws and regulations in health care and financial reform promise to have the two professions sitting at the conference table a lot more often, collaborating on the best course of action for their clients from the start, instead of occasionally.

“I think they probably have to have some understanding of where the other one can make a contribution,” said Galen Sevcik, director of the School of Accountancy at Georgia State University’s J. Mack Robinson College of Business. “Public accountants just have to be a lot more careful than they were; boards of directors have to be a lot more careful. The expertise requirements are very high.”

The accounting and legal industries have long shared their respective knowledge on everything from personal and business tax issues to estate planning for their clients.

Accountants’ traditional role in legal compliance includes public securities compliance and tax planning. But the Sarbanes-Oxley Act of 2002 and its makeover of corporate governance regulation necessitated more teamwork between the professions.

“To me, the turning point was Sarbanes-Oxley,” said Ed Brown, a partner at law firm Burr & Forman LLP. He said that’s when he noted the increasing “amount of involvement that the attorneys and accountants started having simultaneously with the client.”

Other efforts requiring more accounting support and involvement include Section 409A and deferred compensation, he said.

While Sarbanes-Oxley will forever bring accounting and law together for their publicly traded clients, now health-care and insurance and financial reform laws will cover and impact additional issues and entities, requiring more accountant-attorney collaboration —— or at least understanding.

Some accounting firms aren’t wasting any time getting clients in on the increasingly common working arrangement.

Jeff Call, shareholder and managing director of personal financial services at Bennett Thrasher P.C., said the company regularly holds electronic whiteboard sessions with clients and their other professional advisers, including attorneys, to discuss anything from the clients’ corporate structure to legal or financial issues.

The sessions “emphasize a collaborative work environment, not just internally but with all the clients’ advisers,” he said.

As a result of the changes already in place and to come, Brown said accountants will need to be more involved in planning efforts along with attorneys right from the beginning.
Though there are seminars about the reforms for accounting and attorneys, details about the laws are still being ironed out, and some aspects of both laws won’t take effect for years. “Until the regulations are developed and promulgated, we don’t know exactly what the impact will be” of the new laws, Brown said.

Nevertheless, clients will need both accounting and legal expertise to navigate them through the often complex changes, bringing a boon to business.

“Typically, the way these things work, whenever there’s new regulation it creates new opportunities for lawyers as well as accounting firms,” Call said.

Brown said the accountants and attorneys’ different views and methods can actually create a stronger partnership.

In many instances, he explained, attorneys tend to approach planning from the top down or “they look at the forest and work their way down to the trees,” while accountants do the opposite — and clients can benefit from having both approaches find common ground.

Lawyers practicing in areas such as mergers and acquisitions are accustomed to ongoing work with accountants; that hasn’t changed, said Chason Harrison, a shareholder with Davis, Matthews & Quigley P.C. But the credit crunch has required that accountants and attorneys carefully hammer out the details of creatively financed business sales, including payment arrangements such as earn-outs and promissory notes, Harrison said.

“Lawyers hate drafting [earn-outs], particularly if you’re representing the seller because you’re drafting into the future and the unknown,” he said. But when the situations arise, “I’ve got to think a little bit more like an accountant, they have to think a little bit like an attorney.”