

Dealing with Difficult Clients

The bookkeeping and accounting world continues to evolve at a rapid pace and the fear of being blamed for wrong information, financials and tax payments is more apparent now than ever.

Professional bookkeepers' integrity must always be held high. As a registered ICB Bookkeeper, you cannot knowingly be part of tax payments when you know there is an incorrect liability, and equally a bookkeeper must question and clarify instructions when posting an expense that may not be part of the business.

In the real world, there are many circumstances where bookkeepers are confronted with questionable issues that sometimes involve prior bookkeepers, the "interesting" accountant, the "interesting" client and sometimes all three. ICB is constantly asked to provide guidance and support on these areas; here are some principals of practice to ensure your highest integrity always stands and a process is followed to ensure you aren't being accused of being "interesting".

What Determines a Difficult Client?

- Non-compliance
- Bullying
- Poor communication and delivery of source documents
- Accusation of theft or wrong doing without proof or verification
- Late or non-paying of your fees

In all instances when dealing with clients, ICB recommends the following general requirements:

- Have professional indemnity insurance.
- Put every discussion in writing.
- Additional work outside your initial scope must be put in writing before continuing with the work.
- Provide the client with a Bookkeeper Task report for every visit or session.
- Provide timelines of delivery.
- Outline expectations of client's compliance requirements - in general and for each tax payment as it needed.
- Set clear boundaries around your work - for example, only accept calls and respond to emails from clients within business hours. Don't set up the expectation that the client can contact you at any time they wish and that you will always be available for them.
- Be wary of entering into social relationships with clients; however, we know many clients are referred from friends or family and so there may be a level of familiarity there. Nevertheless, try to keep your personal and/or social communications separate from your business dealings.
- At all times **stay professional** in your correspondence and dealings.

Non-compliance

Non-compliance generally means not conforming to the legal requirements of the IRS, the State Revenue Department and possibly other government departments. This may include:

- Late or not paying payroll taxes
- Late or not meeting sales tax dates.
- Underpaying employees.
- Claiming personal expenses as business expenses.

Possible solutions

- Ensure the client understands your role - bookkeeper vs CPA responsibilities.
- Provide the Business Owner with a list of their legal obligations as an employer.
- Provide the Business Owner with a list of tax requirements to be in business.
- Provide directors with a list of their responsibilities.
- Show evidence of the compliance required.
- Advise in writing of the penalties that can occur.
- Explain that you are unable to go forward with what they are asking, as you will be in breach of the ICB code of conduct.
- Pre-bill these clients for time blocks so that you are not waiting on payment.
- As a final solution - terminate engagement with the client.

Dealing with a “Bully” Client

The client that tries to intimidate, threaten or bully you is often one of the hardest areas to deal with in our role as bookkeeper. These are the ones that really try to put pressure on you to lower your fees, or refuse to pay, accuse you of mistakes without evidence, use aggressive or harassing tactics and so on. So how do you handle them?

Possible solutions

- Advise in writing the penalties to their business if it is a compliance issue.
- Don't post anything you know is wrong, regardless of the client's insistence.
- Try to set up a meeting in person to discuss the issues, but only if you feel safe to do so.
- If face to face discussion is too confronting then try to set up a phone meeting and then confirm everything in writing.
- If the client is continuing to bully and threaten over the phone, continue communications only via email.
- If being accused of mistakes and the client is demanding payment in return for someone else to “fix the mistakes”:
 - Do not assume they are right - ask for evidence of the mistakes first.
 - Ask in writing for the opportunity to correct any errors at your own expense, (if they exist). Remind the client that innocent mistakes happen and payments can always be amended at a later date.
 - If the client refuses to give you the opportunity to correct your own errors, and threatens action unless you submit to his demands then contact your PII insurer to inform them of possible action by the client.
- Don't diminish your professionalism.

- Don't submit to any demands without getting advice first - from either ICB Support or your PII insurer or even a legal advisor. Don't assume the client will take legal action - mostly they will back down when faced with a professional attitude and they are often empty threats - unpleasant, yes, but not necessarily resulting in concrete action.
- Terminate engagement with the client.
 - Provide a handover checklist to the client.
 - Remove client from your software subscription if necessary.
 - Remove client from your tax portals.
 - Send a final bill. If there is a dispute over fees without good reason, engage Collections to pursue the debt on your behalf.
 - Cease communications with the client - if the matter has gone to either debt collectors or insurers, their lawyers will communicate with the client from this time.
- If clients are "bad mouthing" or insulting you to others in the community, consider legal action. In the first instance the legal advice can be free or provided for a small charge. Often a letter from a legal firm can be enough for them to cease bullying tactics.

Accusation of Theft or Wrongdoing by Bookkeeper

Bookkeepers are often involved in paying bills, wages and receiving money on behalf of their clients. However, this leaves them open to being accused of wrongdoing or theft when money goes missing or expenses are mis-allocated. Therefore, it's imperative that a process is followed to ensure other people are involved in receiving money, whether cash or EFTPS, and a process requiring authorization from the business owner is followed when paying suppliers or employees.

The bookkeeper who has access to the bank account is in a trusted position and needs to take care of processes so that they cannot be accused incorrectly of fraud.

There is an old saying in retail that, among your staff:

- 10% will **never** steal from you
- 10% will **always** steal from you, and
- 80% **might** steal from you if they have the opportunity

Therefore, by reducing opportunities for people to steal, you increase the chances of catching those that do the wrong thing and discourage others from trying.

Possible solutions

- Remember, whoever has control over cash, it is always tempting!
- Check who is handling the cash and what processes are in place for cash reconciliation.
- Segregate responsibilities; the person who reconciles the daily till should not be the same person who banks the money. If possible, two people should be involved in counting cash.
- Understand what amounts are reasonable to expect for cash takings. Notify the client if there are large discrepancies between actual and estimated figures.
- Benchmark cash takings against previous months' or years' takings.
- Check regular payments from bank and ensure bank details are correct. Perform random audits of bank accounts to check that duplicate accounts are not listed against different suppliers.
- Understand what amounts are reasonable to expect for supplier expenses. Check with the client if payments to suppliers are unusually large.

- Ensure you have your own access login to client's bank account. Never share bank access logins among staff.
- Involve the business owner in **any** payments made from bank. Get authorization, or at least email acknowledgment, of permission to make payments on behalf of the owner.

Poor Communication and Delivery of Source Documents

Communication! Communication! Communication! It is critical in all circumstances.

How many of us deal with clients who provide very little information for the task required and who are surprised with our invoice value after completing the work?

How many of us deal with receipt of late paperwork or no paperwork on a regular basis and still try to complete a tax payments by the deadline?

What do we do? Stress until 3.00am in the morning because you still try to get the work done, so that the tax payments are lodged on time and the client doesn't receive a fine from the Agency. Remember the "work vs lifestyle balance" part of your business. Don't work yourself to death because a client doesn't do the right thing. Obviously there may be times where there are exceptional circumstances, but the norm should be that you have systems in place to deal with managing the client.

Possible solutions

- Do nothing without an acceptance in writing from the client that details what work they require you to perform.
- Don't solve problems that you have not been specifically asked to solve.
- For new clients, don't fix prior bookkeeper's mistakes unless asked to do so
- If a new client engages you to fix all problems, then outline the issues in writing and provide a cost estimate before proceeding. Bill up front in blocks of time and don't continue work until payment for the next block has been received.
- Remember to take a backup of the data at the time you received it, before you make any changes.
- Keep the client informed about what you are doing for them - provide an email or report of work performed.
- Source documents - advise the client about the consequences of not delivering required documents by the due date
 - Email the client with a due date and a clear list of paperwork required for each payment.
 - If clients are late in providing information after you have repeatedly requested it, consider charging the client extra fees or a penalty rate for having to rearrange your timeline in order to comply with required due dates.

Late or Non-payment of Your Fees

A client who pays late or refuses to pay will probably impact all of us at some stage in our business life. The reasons can be varied:

- Question the work done.
- Question the time taken to do a certain task.
- Additional work done without authority.
- Accusation of errors.
- Accountant says you charge too much.
- Cash flow issues.

Possible solutions

- Include due dates and possible interest charges for late payments in your engagement letter.
- Don't keep working if previous work remains unpaid and only resume work upon receipt of payment.
- Review your payment methods. Look at the different models and consider billing up front for time blocks or move to fixed/value fees rather than hourly.
- Ensure that additional work outside your initial agreement is put in writing and provide an estimation of cost. Get agreement from the client before performing the work.
- Provide client with a Bookkeeper Task report for every visit or session.
- Look at debt factoring for the client if cash flow is the issue.
- Provide statements to the client, follow up with a letter of demand and then as a final resort, engage a debt collector to pursue the debt on your behalf.
- An alternative to using a debt collector is to take civil action against the client.
- Disengage the client and review the right of lien options if payment is not received.

Stay Professional

Above all, with any of the scenarios above, stay professional.

What does that really mean?

- Being professional means to express by your words and actions your skills, experience, knowledge, qualification, proficiency and authority in your chosen field. Remember that you are the expert here!
- Be clear, concise and courteous in your communications.
- Don't get personal in your communications to the client - if you are writing an email after a particularly difficult phone call or site visit, don't send it until the next day when you have calmed down. You might like to get a third party to review it, to ensure it isn't too personal, unprofessional or emotional.
- Send a summary of business related conversations to the client via email.
- For other conversations with the client, for example if they are being bullying or threatening, record notes of the exchange in your work-papers or diary.
- Return client's paperwork and data up to the date that work has been paid for. Do not use their property, (documents or data), as a bargaining tool for payment.
- Provide a handover checklist for the client when ceasing engagement, even if the ending of the business relationship was unpleasant or difficult.

