

Accountants must report outsourcing

Professional body will require its members to disclose outsourcing to clients.

November 4, 2004: 6:25 PM EST

NEW YORK (Reuters) - U.S. accounting firms will soon be required to inform clients if they have outsourced client work to third parties, according to new standards published Thursday by an accountants' body.

In recent years, some accounting firms have outsourced numbers-crunching work to professionals in India and elsewhere at a fraction of the cost than in the United States. Some experts say this raises questions as to whether the practice compromises client confidentiality.

The American Institute of Certified Public Accountants (AICPA) will now require its members to inform their clients, preferably in writing, before the job is outsourced.

Lisa Snyder, AICPA's director of ethics, said the accountants' body had to rewrite its 20-year old charter of ethics to incorporate this change.

Certified Public Accountants using third-party service providers are also required under the new rules to enter into a contractual agreement with the third-party service provider to maintain the confidentiality of the client's information.

The new rules take effect for all professional services performed on or after July 1, 2005.