

2. REVIEW ENGAGEMENT LETTERS

Many of the clauses below are appropriate for **either** SSARS No. 19 **OR** SSARS No. 21 engagements (**not both**). Particular attention should be given to the Comments section to identify the language appropriate for the SSARS your engagement will be following.

Suggested Wording

2.1 We are pleased to confirm our understanding of the arrangements for our review of the financial statements of <Company> for the year ending <date, year>.

2.2 This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call to discuss this letter before you sign it.

Comments

2.1c Address the engagement letter to a specific person, if possible. Indicate the title of the person at the inside address and at the signature block at the end of the engagement letter if that person will be signing on behalf of an entity (e.g., Ric Rosario, President). Clearly identify the client by its full and legally correct name and, if an entity, set forth the nature of the entity the first time the entity's name is mentioned in the text of the letter (e.g., Unique Products, a California corporation).

<http://www.pbookshop.com>

Suggested Wording

Scope of Services

2.3 We will [if applicable: prepare and] review the balance sheet of <Client Name> as of December 31, <year>, and the related statements of income, retained earnings, and cash flows for the year then ended, and issue an accountant's report on such financial statements in accordance with the "review standards" as set forth in the Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) and applicable ethical principles established by the AICPA's Code of Professional Conduct.

[Use this language if you are preparing the referenced financial statements:

The objective of this review engagement is to prepare financial statements in accordance with the financial reporting framework you selected, based on information provided by you, and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with that framework. It is our understanding that you have selected accounting principles generally accepted in the United States of America (U.S. GAAP) as your financial reporting framework and, as such, that is the framework we will use for this engagement.]

Comments

2.3c This section complies with the requirements of SSARS No. 21 for periods ending AFTER December 14, 2015. Early implementation is permitted.

Suggested Wording

[Use this language if you are NOT preparing the referenced financial statements: The objective of this review engagement is to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the financial reporting framework you selected. It is our understanding that you have selected accounting principles generally accepted in the United States of America (U.S. GAAP) as your financial reporting framework and, as such, that is the framework we will use for this engagement.]

A review differs significantly from an audit of financial statements, in which the auditor provides reasonable assurance that the financial statements, taken as a whole, are free of material misstatement. A review does not contemplate obtaining an understanding of the entity's internal control; assessing control or fraud risks; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Thus, a review does not provide assurance that we will become aware of all significant matters that would be disclosed in an audit. Therefore, a review provides only limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with U.S. GAAP.

Comments

<i>Suggested Wording</i>	<i>Comments</i>
<p>Our review will consist primarily of inquiries of company personnel and analytical procedures applied to financial data, and we will require a letter from management at the conclusion of our engagement that confirms certain representations made during the course of our review. As we will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, we, accordingly, will not express such an opinion on them. Because we are not performing an audit, <Client Name> agrees not to record or describe our services as an "audit" or "auditing" in its minutes or other books of record.</p>	
<p>This engagement cannot be relied upon to disclose errors, fraudulent financial reporting, misappropriation of assets, or illegal acts that may have occurred. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our review procedures that fraud may have occurred. We will also report to the appropriate level of management any evidence or information that comes to our attention regarding any potential illegal acts that may have occurred, unless they are clearly inconsequential.</p>	

<i>Suggested Wording</i>	<i>Comments</i>
<p>2.4 We will review the balance sheet of <Client Name> as of December 31, <year>, and the related statements of income, retained earnings, and cash flows for the year then ended, and issue an accountant's report on such financial statements in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a review engagement in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in accordance with generally accepted accounting principles in the United States of America.</p> <p>A review differs significantly from an audit of financial statements, in which the auditor provides reasonable assurance that the financial statements, taken as a whole, are free of material misstatement. A review does not contemplate obtaining an understanding of the entity's internal control; assessing control or fraud risks; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); and other procedures ordinarily performed in an audit. Thus, a review does not provide assurance that we will become aware of all significant matters that would be disclosed in an audit. Therefore, a review provides only limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.</p>	<p>2.4c The section complies with the requirements of SSARS No. 19 and clarifies the objectives and limitations of a review engagement.</p>

Suggested Wording

Our review will consist primarily of inquiries of company personnel and analytical procedures applied to financial data, and we will require a representation letter from management at the conclusion of our engagement that confirms certain representations made during the course of our review. Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. The information provided by management, including the responses to our inquiries, will not be verified, corroborated, or audited.

As we will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, we, accordingly, will not express such an opinion on them. Because we are not performing an audit, <Client Name> agrees that you will not record or describe our services as an audit or "auditing" in its minutes or other books of record.

This engagement cannot be relied upon to disclose errors, fraudulent financial reporting, misappropriation of assets, or illegal acts that may have occurred. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our review procedures that fraud may have occurred. We will also report to the appropriate level of management any evidence or information that comes to our attention regarding illegal acts that may have occurred, unless they are clearly inconsequential.

Comments

Suggested Wording

Responsibilities of Management

2.5 Management is responsible for making all financial records and related information available to us and for providing us with unrestricted access to individuals within <Client Name> with whom we determine it necessary to communicate. By your signature below, you understand and agree that management is responsible for the accuracy and completeness of the records, documents, explanations, and other information provided to us, including management's significant judgments for the engagement. The information provided by management, including the responses to our inquiries, will not be verified, corroborated, or audited.

As outlined in this letter, we may assist in the preparation of your financial statements and we may advise you about appropriate accounting principles and their application, but the final responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP remains with you. Also, as part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. Management, however, has final responsibility for reviewing and accepting the proposed entries and understanding the nature and impact of the proposed entries to the financial statements.

Comments

2.5c This section complies with the requirements of SSARS No. 21 for periods ending AFTER December 14, 2015. Early implementation is permitted.

Acknowledged:

 <Client Representative>
 <Client Name>

 Date

Letter 3-19

**SSARS No. 21 Compilation: Prescribed Form
 For Periods Ending AFTER December 14, 2015 — Early Implementation
 Is Permitted**

<Date>

Board of Directors
 <Client Name>
 <Client Address>

Dear Board Members:

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

Financial Statement Services

We will [*if applicable*: prepare and] compile, from information you provide, the annual [and interim, if applicable,] balance sheets and related statements of income, retained earnings, and cash flows of <Client Name> for the year ended <date>, to be included in the form prescribed by <name of entity>, and will issue an accountant's report on such financial statements in accordance with the "compilation standards" as set forth in the Statements on Standards for Accounting and Review Services (SSARs) issued by the American Institute of Certified Public Accountants (AICPA) and applicable ethical principles established by the AICPA's Code of Professional Conduct.

[Use this language if you are preparing the referenced financial statements: The objective of this compilation engagement is to prepare financial statements in accordance with the financial reporting framework you select, based on information provided by you, and to apply accounting and financial reporting expertise to assist you in the presentation of the financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with that framework. It is our understanding that you have selected the form prescribed by <name of entity> as your financial reporting framework. As such, that is the framework we will use for this engagement.]

[Use this language if you are NOT preparing the referenced financial statements: The objective of this compilation engagement is to apply accounting and financial reporting expertise to assist you in the presentation of the financial statements in accordance with the financial reporting framework you select, based on information provided by you, without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with that framework. It is our understanding that you have selected the form prescribed by <name of entity> as your financial reporting framework. As such, that is the framework we will use for this engagement.]

A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical re-

view procedures, or other procedures performed in a review. Consequently, the information provided by management will not be verified, corroborated, reviewed, or audited. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit or review of financial statements. Therefore, a compilation does not provide a basis for expressing any level of assurance on the financial statements being compiled. Because we are performing our compilation work as accountants rather than as auditors, <Client Name> should not record or describe our services as an "audit" or "auditing" in its minutes or books of record.

Our engagement cannot be relied upon to disclose errors, fraudulent financial reporting, misappropriation of assets, or illegal acts that may have occurred. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our engagement that fraud may have occurred. We will also report to the appropriate level of management any evidence or information that comes to our attention regarding any potential illegal acts that may have occurred, unless they are clearly inconsequential.

<Name of Firm Representative> is the engagement partner for the compilation services specified in this letter. <His/Her> responsibilities include supervising <Firm>'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the compilation report.

Responsibilities of Management

Management is responsible for providing us with access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, as well as additional information we may request for this engagement. Management will also provide us with unrestricted access to persons within the entity with whom we determine it necessary to communicate. By your signature below, you understand and agree that management is responsible for the accuracy and completeness of the records, documents, explanations, and other information provided to us, including management's significant judgments impacting the preparation and fair presentation of the financial statements.

As outlined in this letter, we may assist in the preparation of your financial statements and we may advise you about appropriate accounting principles and their application, but the final responsibility for the preparation and fair presentation of the financial statements in accordance with the form prescribed by <name of entity> remains with you. Also, as part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. Management, however, has final responsibility for reviewing and accepting the proposed entries and understanding the nature and impact of the proposed entries to the financial statements.

By your signature below, you acknowledge that you are also responsible for all management decisions and responsibilities, including designating qualified individuals with the suitable skills, knowledge, and experience to be responsible and accountable for overseeing [*if applicable*: the preparation of your financial statements and] any bookkeeping or other services performed as part of this engagement. This includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; as well as identifying and ensuring that the organization complies with the laws and regulations applicable to its activities. We will have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement. Your signature below further acknowledges that you understand and agree that you are responsible for preventing and detecting fraud.

[*Optional*: Management is also responsible for the design, implementation, and administration of applicable policies that may be required under the Affordable Care Act. As <Firm> is not rendering any legal services as part of our engagement, we will not be responsible for advising you with respect to the legal or regulatory aspects of your company's compliance with the Affordable Care Act.]

Written Report

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion or a conclusion, or provide any assurance on them. [*If applicable add*: We will disclose that we are not independent in our report.]

If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

[*Optional*: Our report on the annual financial statements of <Client Name> is expected to read as follows:

<Insert report here>]

By your signature below, you agree to include our compilation report in any document that contains the referenced financial statements which indicates that we have performed a compilation of such financial statements; and to obtain our written permission before releasing such information.

Other Matters

Our fees for this work will be at our regular hourly rates for the individuals involved plus direct out-of-pocket expenses. Payment for services is due when the services are rendered, and interim billings may be submitted as work progresses and expenses are incurred.

Our fees and completion of our work is based upon anticipated cooperation from <Client Name>'s personnel; timely responses to our inquiries; timely communication of all significant accounting, financial, and internal control matters; and the assumption that unexpected circumstances will not be encountered during the engagement.

In addition, in the event our firm or any of its employees or agents is called as a witness or requested to provide any information whether oral, written, or electronic in any judicial, quasi-judicial, or administrative hearing or trial regarding information or communications that you have provided to this firm, or any documents and workpapers prepared by <Firm> in accordance with the terms of this agreement, you agree to pay any and all reasonable expenses, including fees and costs for our time at the rates specified in our engagement letter, as well as any legal or other fees that we incur as a result of such appearance or production of documents.

Billings become delinquent if not paid within <number> days of the invoice date. If billings are past due in excess of <number> days, at our election, we may stop all work until your account is brought current or withdraw from this engagement. <Client Name> acknowledges and agrees that we are not required to continue work in the event of <Client Name>'s failure to pay on a timely basis for services rendered as required by this engagement letter. <Client Name> further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of <Client Name>'s failure to pay on a timely basis for services rendered as required by this engagement letter, we will not be liable for any damages that occur as a result of our ceasing to render services.

We will require a retainer of \$<amount>, which will be applied to current billings as required.

It is our policy to keep records related to this engagement for <number> years. However, <Firm Name> does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the <number>-year period <Firm Name> shall be free to destroy our records related to this engagement.

If a dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the <Name of Association> under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the <Name of Association>, except that under all circumstances the arbitrator must follow the laws of <Name of State>. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION

FOR RESOLUTION. The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

We will be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.

Sincerely,

<Accountant Name>

<Firm Name>

Acknowledged:

<Client Representative>

<Client Name>

Date

Letter 3-20

**Other: Assemble Financial Statements for Use by an Entity's External
CPA
For Periods Ending BEFORE December 15, 2015**

<Date>

<Client Representative>

<Client Name>

<Client Address>

Dear <Client Representative>:

This letter confirms our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

1. We will assemble, from information you provide, the annual balance sheets and the related statements of income, retained earnings, and cash flows of <Client Name> for the year <year> for use by your external CPA, <Name of External CPA Firm>, to assist them in the preparation of your annual <audited/reviewed/compiled> financial statements. We will not audit, review, or compile such financial statements and therefore will not express an opinion or any other form of assurance on them. We also will not issue any kind of report on the financial statements.

The financial statements you have asked us to prepare will contain the following material departures from generally accepted accounting principles (GAAP) and the effects of these departures, if any, on the financial statements will not be disclosed. [Optional: Also, you have asked that substantially all the disclosures required by GAAP be omitted.] If additional material departures come to our attention during the course of the engagement we will inform you of such departures, unless they are clearly inconsequential.

<Identify departures.>

By your signature below, you grant us permission to communicate directly with <Name of External CPA Firm>, and to provide them with access to our workpapers. You have confirmed to us that these financial statements are solely for use by <Name of External CPA Firm> and management and are not intended for use by any other party for any other purpose. Given the material departures that may exist in, or the required disclosures that may be omitted from, the financial statements, we make no representations regarding the appropriateness of such statements for your purpose. By your signature below you agree that the use of these financial statements is limited to <Name of External CPA Firm> and those members of management with such knowledge and understanding and that the financial statements are intended solely for the information and use of such management and are not intended to be and should not be used by any other party. Should you require financial statements for other than the purpose specified in this letter, we require a separate engagement letter for such services.

<Name of Firm Representative> is the engagement partner for the limited services specified in this letter. <His/Her> responsibilities include supervising <Firm>'s services performed as part of this engagement.

[Optional: 2. We will assist your bookkeeper in adjusting the books of accounts so that he or she will be able to prepare a working trial balance from which financial statements can be compiled. Your bookkeeper will provide us with a detailed trial balance and any supporting schedules we require.]

Our engagement cannot be relied upon to disclose errors, fraudulent financial reporting, misappropriation of assets, or illegal acts that may exist. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our engagement that fraud may have occurred. We will also report to the appropriate level of management any evidence or information that comes to our attention regarding illegal acts that may have occurred, unless they are clearly inconsequential. Management is solely responsible for the design and operation of the effective internal controls and for complying with all applicable laws and regulations. By your signature below, you understand that we have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement. You also acknowledge that the services provided do not constitute an arrangement to provide audit, compilation, review, or attest services and you agree to not describe or refer to our limited services as such in your minutes or books of record or to any third parties.

Our fees for this work will be at our regular hourly rates for the individuals involved plus direct out-of-pocket expenses. Payment for service is due when rendered and interim billings may be submitted as work progresses and expenses are incurred. Our firm policy requires that, before we start work on this engagement, you pay our firm, and that you subsequently maintain, an advance fee deposit in the amount of \$<amount>. We will hold this advance fee deposit in a trust account. When a statement is mailed to you by our firm, you agree that the total amount of fees and expenses shown on the statement can be withdrawn by us from the funds deposited in the trust account for the purpose of immediately paying us for the amounts due. You further agree that your subsequent payment of the statement for the same services and expenses can then be deposited to the trust account when we receive the payment. However, if any statement from us exceeds the amount in the trust account, you agree that you will pay us a sum sufficient to return the balance of the trust account to \$<amount> and that you will also pay the additional amount of the billing in excess of that amount, which excess amount you agree we may deposit when received in our general account instead of the trust account.

You understand and agree that our billings to you become delinquent if not paid within <number> days of the invoice date. You further understand and agree that we may withdraw from the present engagement at any time for any reason at our sole discretion. In particular, you agree that if you fail to pay for services rendered or expenses incurred for this engagement, we either may discontinue performing services for you until all outstanding balances are paid or may withdraw from the engagement ten days after the mailing of written notice to

you at the same address to which statements are sent. You recognize that any discontinuation of work by us could seriously harm your interests but nevertheless specifically give your consent to us to do so regardless of any filing or other deadlines you face.

It is our policy to keep records related to this engagement for <number> years. However, <Firm Name> does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the <number>-year period <Firm Name> shall be free to destroy our records related to this engagement.

If a dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the <Name of Association> under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the <Name of Association>, except that under all circumstances the arbitrator must follow the laws of <Name of State>. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION. The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

If the foregoing is in accordance with your understanding, please sign the enclosed copy of this letter in the space provided and return it to us.

Sincerely,

 <Accountant Name>
 <Firm Name>

Acknowledged and agreed:

 <Client Representative>
 <Client Name>

 Date

4. PREPARATION ENGAGEMENT LETTERS

For Periods Ending AFTER December 14, 2015 — Early Implementation Is Permitted

<i>Suggested Wording</i>	<i>Comments</i>
<p>4.1 This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.</p>	
<p>4.2 This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call to discuss this letter before you sign it.</p>	
<p>4.3 We will prepare, from information you provide, the annual [and interim, if applicable,] balance sheets and related statements of income, retained earnings, and cash flows of <Client Name> for the year ended <date> in accordance with the "preparation standards" as set forth in the Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) and applicable ethical principles established by the AICPA's Code of Professional Conduct.</p>	<p>4.3c The paragraph complies with the requirements of SSARS 21.</p>

11. BOOKKEEPING AND WRITE-UP ENGAGEMENT LETTERS

Suggested Wording

11.1 We are pleased to confirm our understanding of the arrangements for our engagement.

11.2 This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call to discuss this letter before you sign it.

11.3 This letter is to confirm our understanding of the terms and objectives of our engagement as well as the nature and limitations of the services we will provide.

11.4 Beginning with the month of <month>, we will compile, from the information you give us, a monthly statement of assets, liabilities and equity and statement of revenues, expenses and capital on the cash basis of accounting. You agree to deliver to us at our office the following documents on a monthly basis: bank statements, cancelled checks, check stubs or register, payroll records, documents concerning asset acquisitions and dispositions, liabilities and notes payable, and other relevant documents. You must code all check stubs as to the proper account number for recording in the ledgers.

Comments

11.1c Renew the engagement at least once a year. It is not necessary to have a new engagement each month.

11.4c Monitor clients for their fulfillment of obligations to provide records and review the bank statements. Also, even though the engagement letter does not state it, consider examining signatures on cancelled checks and looking for altered or suspicious signatures.

Suggested Wording	Comments
<p>11.5 We will record all income and expenses, on a monthly basis, from the above documents you provide, in a computerized general ledger system. Each month we will give you a copy of the general ledger account listing, which shows each check, deposit, and adjustment affecting each account during the month. You agree to review this general ledger report each month and tell us of any changes necessary in the classification or distribution of expense. Unless you tell us of a change within <number> days, we will assume that all transactions have been properly coded and have been posted to the correct accounts. These ledgers will record, on a monthly basis, all cash receipts [you identified as to source] and all cash disbursements [you identified as to expense category]. The ledgers will also include adjusting journal entries. These ledgers will be used in the preparation of the annual financial statements and income tax returns.</p>	<p>11.5c Have a method by which the client signs off on documents (e.g., monthly printout, general letter).</p>
<p>11.6 Each month we will reconcile <Client Name>'s books and records of the following bank accounts: [bank name(s) and account number(s)] with the bank statement(s) for proper account balance and to identify reconciling items that may require adjustments to your books and records. We will not be analyzing cancelled checks to determine whether signatures or payments are authorized or for any other purpose but we will briefly scan them to confirm the amounts match those recorded by the bank on the statement. By your signature below, you acknowledge that you understand and agree that our services are limited in scope and they are not designed to detect employee embezzlement or other fraudulent activities involving your bank accounts. Should you wish us to expand our procedures to include additional work and investigations, we will arrange this with you in a separate engagement letter.</p>	<p>11.6c While not part of your engagement, you should know how clients prepare and sign checks and who receives bank statements. Be alert for the client who signs blank checks. Be aware, too, of who are the counter signatories. If you suspect a problem, notify the client in writing of your concern.</p>

Suggested Wording	Comments
<p>11.7 Each month we will review the payroll records which you have prepared and record the appropriate amounts in the ledgers. We will discuss with you any errors identified and show you the appropriate action required to correct the payroll records.</p>	<p>11.7c The second sentence of this paragraph should be used only when you are accepting responsibility to examine the payroll records and not just recording payroll amounts into the ledgers.</p>
<p>11.8 Beginning with the month of <month> we will prepare on a quarterly basis the federal and state payroll tax return for the state(s) of <Name(s) of State(s)>. You are responsible for making the federal and state payroll tax deposits. If there is payroll tax due with the quarterly report, we will notify you.</p>	<p>11.8c Check to see that the deposits are made on a timely basis. If they are not, notify the client in writing and disclose information about the potential penalties. Furthermore, the clients who do not remit their quarterly payments on a timely basis are more than likely going to have other problems, such as financial or cash flow difficulties, poor cash management skills or problems with the issue of independent contractors vs. employees.</p>
<p>11.9 On an annual basis, we will reconcile all payroll tax returns with the payroll withholding records and prepare the year-end payroll tax returns, including federal and state unemployment tax returns, Forms W-2, W-3, 1099, and 1096, as required.</p>	
<p>11.10 On a periodic basis, as needed, and at least four times each year, we will meet with you to discuss your accounting records and the management implications of your financial statements. These meetings are important to your financial well-being and should be held at least quarterly.</p>	<p>11.10c Write reminder letters to clients regarding the scheduling of the meetings and document by letters to the clients any problems you are having in getting the clients to make themselves available for such meetings.</p>
	<p>If you do meet, as stated in your engagement letter, make notes of the meeting and follow up with suggestions to the client in writing.</p>

Suggested Wording	Comments	Suggested Wording	Comments
INVESTMENT ADVICE			
<p>11.11 In our relationship, we are often advisors, not advocates, with regard to investment advice. We will advise you on the implications, if any, of specific matters you bring to our attention.</p>	<p>11.11c and 11.12c There are two types of investment advice: general and specific. General investment advice includes tax planning and advising on the timing of sales of residences. Specific investment advice is given when a client brings a specific investment proposal to a CPA for advice. Remember to warn your clients about investment risks. Don't be tempted to tell them just what they would like to hear.</p>	<p>11.13 You have asked us to receive in our office and file your monthly broker statements from <list> for the purpose of preparing your federal and state individual tax returns. By your signature below, you understand that we are not investment advisors. As such, our services related to maintaining the brokerage statements in our files are not designed to review the broker statements or verify the accuracy of the statements, nor will we track the information for purposes of rendering any investment advice to you. Accordingly, we will not advise you regarding the economic viability or consequences of an investment and/or transaction or whether you should or should not make a particular investment and/or transaction.</p>	
<p>11.12 We are not <choose appropriate title: investment counselors, brokers, stock agents>. We can only advise you on the implications of this investment in light of today's tax laws and economy.</p>	<p><i>It is important to document communication about investment advice with your client.</i></p> <p>It is advisable to give your client a written statement as to the tax implications of a specific investment and a disclaimer regarding due diligence. Avoid giving advice as to whether to invest or not. Warn them about the risks inherent in all tax advice, the risks in the particular situation, and any absence of judicial authority, conflict in the courts, absence of clear regulation, or other factors that make their outcome uncertain.</p>	RECORD RETENTION	
	<p>Promoting investments or accepting commissions or any other compensation from a group underwriting or sponsoring the investment is prohibited in some states. Check your own state laws for the legality of accepting commissions and contingent fees. Accepting such fees may also create a clear conflict of interest in rendering advice to a client. And if the investment vehicle is a security, the situation may expose the firm to claims involving securities law violations.</p>	<p>11.14 It is our policy to keep records related to this engagement for <number> years. However, <Firm Name> does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by government or regulatory agencies.</p>	<p>11.14c If you think there is even a remote chance of a claim with a current client, keep copies of the client's records and your work papers. If you are asked to return client records, make copies for your files and return the originals. Get a signed, itemized receipt when you turn them over to your client.</p>
		<p>By your signature below, you acknowledge and agree that upon the expiration of the <number>-year period <Firm Name> shall be free to destroy our records related to this engagement.</p>	<p>The firm should establish its own record retention policy.</p> <p>Before you destroy records, consider the following steps: (1) send a letter to the last known address of the client, (2) inform clients that you intend to destroy their records unless you hear from them by a specific date, and (3) if a client picks up his or her records, get a signed, itemized receipt.</p>
			<p>You may wish to provide copies (not originals) of your work papers should the client request them. If you give your client copies of your work papers, number consecutively each of the pages copied, and get a signed and itemized receipt. If you have questions or concerns about whether papers belong to you or the client, or about whether you should give your client copies, call your risk advisor.</p>

Suggested Wording

Comments

FEES & BILLINGS—GENERAL

11.15 Our fees for this work will be at our regular hourly rates for the individuals involved plus direct out-of-pocket expenses. Payment for services is due when rendered, and interim billings may be submitted as work progresses and expenses are incurred.

11.16 Statements for our services will be sent on a <weekly, biweekly, monthly, etc.> basis. Currently, billing rates for our staff are: <rates>.

11.17 Billings become delinquent if not paid within <number> days of the invoice date. If billings are not paid within <number> days of the invoice date, at our election, we may stop all work until your account is brought current or withdraw from this engagement. <Client Name> acknowledges and agrees that we are not required to continue work in the event of <Client>'s failure to pay on a timely basis for services rendered as required by this engagement letter. <Client Name> further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of <Client>'s failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages which occur as a result of our ceasing to render services.

11.16c It is unethical to base a fee for preparing a tax return on the amount saved in taxes because a properly prepared tax return results in proper tax liability and there is no basis for computing a savings. Consider progress billings, especially in the case of audits. Without such a provision the "entire" contract is tied to the audit, so that payment cannot be enforced until after full performance by the auditor. Consider billing every other week for significant engagements and first-year audit clients.

11.17c Late charges are legal. They are not subject to usury. However, they should be in a reasonable amount such as 1% per month or 10% per annum. The number of days set forth in this paragraph should mirror those used in the paragraph describing when payment is due. Thus, if payment is due within 30 days of the invoice date, but the statement is not paid within 30 days, it then begins to accrue late charges.

Caveat: A penalty for not paying an invoice must be denominated as a late charge. This cannot be called interest without full compliance with federal and state truth-in-lending and other laws.

Suggested Wording

Comments

In the event any statement or invoice rendered by us to <Client Name> is not paid within <number> days of the date of the invoice, a late charge shall be accrued on the unpaid amount at the rate of <number>% per month from that date until paid.

11.18 Progress billings will be presented every two weeks or upon completion of a project, whichever is earlier.

FEES—RETAINERS

11.19 We require a retainer prior to starting work. This retainer is applied to the final billing. Any retainer in excess of the final billing will be refunded. A retainer of \$<amount> is necessary to begin work on this engagement.

11.20 This retainer is not intended to be an estimate of the total cost of the engagement. Your retainer will not earn interest while held by our firm.

This retainer is not an estimate of the total cost of the engagement. The retainer will be deposited into our general account and may be commingled with our other funds. No interest shall accrue or be paid on the funds held as a retainer.

11.19c Most ongoing engagements lend themselves well to the use of retainers. Use of this method is especially important if a client's payment habits have been a problem or if his or her ability to pay is questionable. To avoid fee disputes, be sure the client knows that the amount of the retainer is not an estimate of the total fee for the engagement.

11.20c *This paragraph is optional.* Consider keeping retainers in a client trust account. Among other things, if kept in a client trust account, the retainer is not subject to claims of the firm's general creditors in the event of insolvency or bankruptcy. Accordingly, it provides the clients with an element of protection.

However, for ease of administration, you may prefer to deposit the retainer into your general account. Use this paragraph in such cases.

Suggested Wording

11.21 We will require a retainer of \$<amount>, which will be applied to current billings as registered.

In the event the retainer is exhausted during the engagement, we will require one or more additional advance retainer fee deposits. The amount of the additional retainer will depend on the amount of the work remaining. In the event that the work is in progress when the initial retainer or additional retainers are exhausted, there will be no obligation on our part to continue with this engagement until additional retainer fee deposits have been received.

11.22 In the event that these bills are not paid in a timely manner, we will apply the retainer to pay the amounts owing. We will stop our work until the retainer balance is replenished to the full amount required. If this is not done within <number> days after the application of the retainer to the unpaid balance, we reserve the right to withdraw from this engagement and return any unused portion of the retainer.

11.23 A retainer of \$<amount> is due after the first week of work is completed, with regular <weekly/biweekly/monthly> billings as the work progresses.

11.24 We will bill you prior to each quarter for an advance retainer of <number>% with your first quarterly payment of \$<amount> to be made upon signing this agreement. Final billing of any balance will follow completion of the work.

Comments

11.21c This paragraph is optional. A replenishing retainer is very useful where dealing with a problem client or one who has a poor payment performance history.

11.22c Use this paragraph with difficult clients or clients with recurring payment problems.

11.24c Establish a firm policy as to percentage requested for retainers.

Suggested Wording

FEES—CHANGE IN CIRCUMSTANCES

11.25 In our engagement letter of <date>, we said that unforeseen or changed circumstances might affect our original fee estimate of \$<amount>. It now seems likely that they will, and we want to bring this matter to your attention.

11.26 Both unforeseen and changed circumstances have occurred during the course of the engagement. We did not anticipate the problems we have encountered with your accounting procedures. These include certain shortcuts and irregular practices. Also, we did not make allowance for: <list circumstances>.

11.27 These changes are being dealt with on a continuing basis. We are spending nearly <quantifiable multiple> as many hours as indicated on our estimate. Therefore, the original fee must be revised, and our best estimate is that the total fee will be approximately \$<amount>. If you find this new estimate acceptable, please sign this letter and return it to us.

FEES—REIMBURSEMENT FOR LITIGATION

11.28 In addition, you further agree that in the event our firm or any of its employees or agents is called as a witness or requested to provide any information whether oral, written, or electronic in any judicial, quasi-judicial, or administrative hearing or trial regarding information or communications that you have provided to this firm, or any documents and workpapers prepared by <Firm> in accordance with the terms of this agreement, you agree to pay any and all reasonable expenses, including fees and costs for our time at the rates specified in our engagement letter, as well as any legal or other fees that we incur as a result of such appearance or production of documents.

Comments

11.25c Document a change in circumstances as an addendum to the engagement letter.

The Firm may, in its discretion, alter, add to, or delete the Terms and Conditions from time to time without any prior notice. Unless otherwise specified by the Firm, all alterations, additions, and deletions shall take effect automatically and be binding on and from the day they are posted on the Portal.

IN WITNESS WHEREOF, the parties as authorized representatives execute this Client Portal Agreement on the dates set forth below.

 <Accountant Name> Date
 <Firm Name>

 <Client Name> Date
 <Title>

Authorized person to contact the Firm to request employee logon User IDs:

Name: _____

Title: _____

Email: _____

17. LITIGATION SUPPORT ENGAGEMENT LETTERS

Suggested Wording

Comments

17.1 This letter will serve to confirm our understanding and agreement whereby you as attorney for <Client> have retained our firm of certified public accountants to perform services in this matter.

17.1c Address this engagement letter to the attorney, but get the client's signature as well as the attorney's. There is language about the client's responsibility for bills that the client needs to sign off on. (See paragraphs 17.23–17.29 for suggested language.)

17.2 This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call to discuss this letter before you sign it.

17.3 It is your desire to have us help with these tasks:

<list tasks and be specific—for example, preparation of a list of community property, valuation of <items>, tax analysis of proposed property division and/or spousal support, spendable income analysis for the purpose of determining spousal and child support.>

17.3c Be specific when listing the tasks to be performed. If some analysis is required, specify what information is to be given to the CPA, what assumptions will need to be made, and any other information upon which the analysis depends.

17.4 This letter will confirm our understanding whereby our firm has been retained as consultants by your firm to assist in the representation of <Client>, in the above subject matter.

17.4c Conflicts of interest: Consider possible conflicts of interest with any of the parties involved in the litigation or with likely positions on the issues. Identify whether any parties on either side of the litigation are current or former clients.

<http://www.pbook.com>

Suggested Wording
<p>17.5 This letter confirms the arrangement for our firm to perform accounting services on your behalf in this pending matter.</p>
<p>17.6 This letter constitutes an agreement between the law firm of <Firm Name> and <Accountant Name> under which we will provide litigation support consulting services as you and your client, <Client Name>, may require in connection with <case caption>. We have been retained to provide litigation support consulting services only. However, we understand and accept that we may be requested to furnish testimony at trial.</p>
<p>17.7 In addition, it is understood that you may wish to engage our firm to serve as an expert witness in this matter. If you wish to engage our firm, your decision should be made in light of the nature of information that has previously been disclosed to our firm. Under such circumstance, we understand that any work performed pursuant to such expert witness engagement, as well as information disclosed to us, pursuant to the preceding paragraph, will be subject to the rules of discovery as appropriate for expert witnesses.</p>
<p>17.8 Your firm will determine the scope of the work to be performed and the requirement for any appearances in court.</p>

Comments
<p>17.5c This paragraph is optional.</p>
<p>17.6c Last sentence is optional.</p>

Suggested Wording	Comments
<p>17.9 Our firm's services will include the specific engagements and agreed-upon procedures to be performed as directed by you. This may include investigatory accounting services, preparation of net worth and net disposable income statements, advice on the accounting aspects of litigation matters, tax considerations, valuations, and other services, as required. We will be performing specific engagements that will <i>not</i> be in accordance with Generally Accepted Accounting Principles. This engagement is not intended to detect fraud or defalcations.</p>	
<p>17.10 Your purpose in having us help with these tasks is <list tasks>.</p>	
<p>17.11 You understand that we will not perform an audit or a review of either the business financial statements of <Company Name> or the personal financial statements for <Client Name>. Consequently, we will not express an opinion or other form of assurance on those financial statements.</p>	
<p>17.12 We will study and review the documents submitted to you by the claimant, <Claimant Name>, and review in particular the backup data supporting his/her claim under his/her proof of loss summary in the amount of \$<amount>. In particular, we will review his/her leases, proposed leases signed, calculations of operating expenses, loss costs, etc. To aid us in this review, we will need a summary of the insurance policy covering this loss, areas which are covered, areas which are limited, and uninsured costs.</p>	
<p>17.13 Our initial scope will be limited; it is intended to acquaint us with information contained in your files and to aid in determining those areas which should be reviewed in greater detail in the second part of our engagement.</p>	

Suggested Wording	Comments	Suggested Wording	Comments
<p>17.14 We cannot and do not predict results or final developments in this matter.</p>		<p>17.19 It has been agreed that our firm shall perform for you such accounting services, together with investigative, advisory, and any additional consulting services, as may be required in order to assist you in providing meaningful legal advice and representation for the client(s). If necessary, we shall prepare a report, and this report and any other communications between our firm or the client(s) and your firm will have attorney-client privilege.</p>	
<p>17.15 It is understood between the parties to this agreement that the accounting firm may terminate this engagement upon a substitution of attorneys for any reason or for good cause.</p>		<p>17.20 This engagement also includes all other steps that are deemed necessary as determined during the course of this assignment. In addition, we shall participate, as necessary, in conferences with the client(s), as well as your firm, and conduct or participate in interviews of other persons pursuant to your instructions.</p>	
<p>17.16 You have asked us to review certain documents relating to a lawsuit involving <name>. You have also asked that we provide expert testimony on their behalf, if and when necessary. Any written reports or documents which we may prepare are to be used only for the purpose of this litigation and may not be published or used for any other purpose without my prior written consent.</p>	<p>17.16c Paragraphs 17.16, 17.17, and 17.21 are for engagements as an expert witness. If you are an expert witness, get a retainer up front. You cannot safely withdraw on the eve of trial simply because you have not been paid.</p>	<p>17.21 We will perform these services:</p>	
<p>17.17 We understand that your firm may also wish to engage us to assist you by providing expert witness services concerning business methods or trade practices, accounting, or finance in this or other matters. We understand that any work performed pursuant to such expert witness engagement, as well as information disclosed to us pursuant to the preceding paragraph, will be subject to the rules of discovery as appropriate for expert witnesses.</p>		<ol style="list-style-type: none"> 1. Study the relevant financial documents now in your possession, both those of <Plaintiff> and those of <Company>, which, as we understand, were obtained through disclosure proceedings. 2. Review and submit to <Attorney's Name> a report of our findings, including a statement of our opinion as to whether <Plaintiff> has through financial misrepresentations suffered the specific losses he/she claims. 3. If our conclusion is that <Plaintiff> has suffered such losses through apparent misrepresentation, we will be available in court to testify on his/her behalf. 	
<p>17.18 In order to perform our duties and responsibilities pursuant to the matters for which our firm was retained, you will need accounting assistance in analyzing books, records, papers, and documents which have been or will be delivered to our firm by you or your client(s). Also the workpapers, and other documents which have been prepared, will represent the work product of your firm.</p>		<p>17.22 This letter will serve to confirm our mutual understanding of the engagement whereby you will retain our firm to perform accounting services relative to the dissolution of the <Names of Married Couple> marriage.</p>	

Suggested Wording

17.23 Our services, which will include certain accounting procedures, an evaluation of the going business value of <Company>, and examination of other assets of the community, will be furnished on an hourly basis.

17.24 Our fees are not contingent upon the outcome of this case.

17.25 Attached please find a statement for a refundable retainer of \$<amount>, against which time will be applied. Statements will be sent to you for your client on a periodic basis and are due upon presentation. The balance of our fee, should it exceed the retainer, primarily remains the client's responsibility. This retainer is not intended to be an estimate for the total cost of the work to be performed, nor has an estimate been given.

17.26 Although you and your law firm have retained us for the above proceeding, it is understood and agreed that there is no liability on the part of yourself or your law firm for the fee for any services to be rendered by us pursuant to this agreement. Our fees remain the client's responsibility.

17.27 Appropriate credit will be given to the client for any funds that are paid to this firm from any source which the court allows.

17.28 Our firm's billing rates range from \$<amount> per hour to \$<amount> per hour. We invoice on a monthly basis and all bills are payable upon presentation. It is our intention to utilize our time efficiently and to limit our services to those required.

Comments

17.25c To minimize the risk of working without payment, you may want to consider obtaining a retainer when expert witness work is anticipated. You cannot safely withdraw on the eve of trial simply because you have not been paid.

Suggested Wording

17.29 It is understood that we will be compensated for our services in these matters at our present hourly rates of \$<amount>, and all of our billings for our time expended, plus out-of-pocket expenditures, shall be made in writing and directed to be advised that the client(s) shall guarantee the payment. You shall take all reasonable steps necessary to collect from the client(s) the accounting fees we have billed to you. In the event you are unable to collect the fee, it is understood that we will attempt to collect the fee from the client(s). A retainer fee in the amount of \$<amount> is <acknowledged/ requested/required before we begin this assignment>.

17.30 All oral and written communications between you and your client and our firm, and all other information obtained as a result of this engagement, will be strictly confidential and privileged, and will not be disclosed to anyone without your prior written permission.

17.31 Any reports, data, worksheets, or other documents we prepare are specifically for the use of <Firm> and are subject to the attorney/client privilege information relationship.

17.32 In addition, it is expressly agreed between us that all originals and copies of statements, records, schedules, working papers, memorandums, reports, and all other documents and work product prepared by our firm, in accordance with our agreed services, will be considered privileged matters not to be disclosed to any other person or persons without your prior written permission. All originals and copies of statements, records, schedules, working papers, memorandums, reports, tax returns, and other documents and work product which you place in our possession or direct us to take possession of shall be the property of your firm, and will be considered privileged matter.

Comments

17.31c *Optional paragraph.* This issue should be discussed before you accept the engagement.

Suggested Wording	Comments	Suggested Wording	Comments
<p>17.33 Our firm will open separate files, entitled "Property of <Client>: In Re: the matter of <case caption>," and place all work papers, records, or other documents regardless of their nature and the source from which they emanate, in those files. The files will be held by us solely for your convenience and subject to your unqualified right to instruct our firm with respect to our possession and control.</p>		<p>By your signature below, you acknowledge and agree that upon the expiration of the <number>-year period, <Firm Name> shall be free to destroy our records related to this engagement.</p>	<p>Before you destroy records, consider the following steps: (1) send a letter to the last known address of the client, (2) inform the client that you intend to destroy the records unless you hear from the client by a specific date, and (3) if a client picks up his or her records, get a signed, itemized receipt.</p>
<p>17.34 As part of our agreement to provide accounting services in this matter, we will notify you if any of the following events occur:</p>		<p>FEES & BILLINGS—GENERAL</p>	<p>You may wish to provide copies (not originals) of your work papers if the client requests them. If you give your client copies of your work papers, number consecutively each of the pages copied and get a signed, itemized receipt. If you have questions or concerns about whether papers belong to you or to the client, or about whether you should give your client copies, call your risk advisor.</p>
<p>1. The exhibition or surrender of any documents or records prepared by or submitted to us in a manner not expressly authorized by you;</p>		<p>17.36 Our fees for this work will be at our regular hourly rates for the individuals involved, plus direct out-of-pocket expenses. Payment for services is due when rendered, and interim billings may be submitted as work progresses and expenses are incurred.</p>	<p>17.37c It is unethical to base a fee for preparing a tax return on the amount saved in taxes, because a properly prepared tax return results in proper tax liability and there is no basis for computing a savings. Consider progress billings, especially in the case of audits. Without such a provision the "entire" contract is tied to the audit, so that payment cannot be enforced until after full performance by the auditor. Consider billing every other week for significant engagements and first-year audit clients.</p>
<p>2. A request by anyone to examine, inspect, or copy such documents or records;</p>		<p>17.37 Statements for our services will be sent on a <weekly, biweekly, monthly, etc.> basis. Currently, billing rates for our staff are: <rates>.</p>	
<p>3. Any attempt to serve or the actual service of any court order, subpoena, or summons upon us that requires the production of any such documents or records.</p>		<p>17.35c If you think there is even a remote chance of a claim with a current client, keep copies of the client's records and your work papers. If you are asked to return client records, make copies for your files and return the originals. Get a signed, itemized receipt when you turn them over to your client.</p>	
<p>RECORD RETENTION</p>	<p>Your firm should establish its own record retention policy.</p>		
<p>17.35 It is our policy to keep records related to this engagement for <number> years. However, <Firm Name> does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.</p>			

Suggested Wording

17.38 Billings become delinquent if not paid within <number> days of the invoice date. If billings are not paid within <number> days of the invoice date, at our election, we may stop all work until your account is brought current or withdraw from this engagement. <Client> acknowledges and agrees that we are not required to continue work in the event of <Client>'s failure to pay on a timely basis for services rendered as required by this engagement letter. <Client> further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of <Client>'s failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services.

In the event any statement or invoice rendered by us to <Client> is not paid within <number> days of the date of the invoice, then a late charge shall be accrued on the unpaid amount at the rate of <number>% per month from that date until paid.

17.39 Progress billings will be presented every two weeks or upon completion of a project, whichever is earlier.

Comments

17.38c Late charges are legal. They are not subject to usury. However, they should be in a reasonable amount, such as 1% per month or 10% per annum. The number of days set forth in this paragraph should mirror those used in the paragraph describing when payment is due. Thus, if payment is due within 30 days of the invoice date and payment is not made within 30 days, late charges begin to accrue.

Caveat: A penalty for not paying an invoice must be denominated as a late charge. This cannot be called interest without full compliance with federal and state truth-in-lending and other laws.

17.39c Most ongoing engagements lend themselves well to the use of retainers. This method is especially useful if a client's payment habits have been a problem or if his or her ability to pay is questionable. Be sure the client knows that the amount of the retainer is not an estimate of the total fee for the engagement in order to avoid fee disputes.

Suggested Wording

FEES—RETAINERS

17.40 We require a retainer prior to starting work. This retainer is applied to the final billing. Any retainer in excess of the final billing will be refunded. A retainer of \$<amount> is necessary to begin work on this engagement.

17.41 This retainer is not intended to be an estimate of the total cost of the engagement. The retainer will be deposited into our general account and may be commingled with our other funds. No interest shall accrue or be paid on the funds held as a retainer.

17.42 We will require a retainer of \$<amount>, which will be applied to current billings as registered.

In the event the retainer is exhausted during the engagement, we will require one or more additional advance retainer fee deposits. The amount of the additional retainer will depend on the amount of the work remaining. In the event that the work is in progress when the initial retainer or additional retainers are exhausted, there will be no obligation on our part to continue with this engagement until additional retainer fee deposits have been received.

Comments

17.40c *This paragraph is optional.* Consider keeping retainers in a client trust account. Among other things, if kept in a client trust account, the retainer is not subject to claims of the firm's general creditors in the event of insolvency or bankruptcy. Accordingly, it provides the clients with an element of protection.

However, for ease of administration in most cases, you may prefer to deposit the retainer into your general account. Use this paragraph in such cases.

17.41c *This paragraph is optional.* A replenishing retainer is very useful where dealing with a problem client or one who has a poor payment performance history.

Suggested Wording

17.43 In the event that these bills are not paid on a timely basis, we will apply the retainer to pay the amounts owing. We will stop our work until the retainer balance is replenished to the full amount required. If this is not done within <number> days after the application of the retainer to the unpaid balance, we reserve the right to withdraw from this engagement and return any unused portion of the retainer.

17.44 A retainer of \$<amount> is due after the first week of work is completed, with regular <weekly/biweekly/monthly> billings as the work progresses.

17.45 We will bill you prior to each quarter for an advance retainer of <number>% with your first quarterly payment of \$<amount> to be made upon signing this agreement. Final billing of any balance will follow completion of the work.

FEES—CHANGE IN CIRCUMSTANCES

17.46 In our engagement letter of <date>, we said that unforeseen or changed circumstances might affect our original fee estimate of \$<amount>. It now seems likely that they will, and we want to bring this matter to your attention.

17.47 Both unforeseen and changed circumstances have occurred during the course of the engagement. We did not anticipate the problems we have encountered with your accounting procedures. These include certain shortcuts and irregular practices. Also, we did not make allowance for: <list circumstances>.

Comments

17.43c Use this paragraph with difficult clients or clients with recurring payment problems.

17.45c Establish a firm policy as to percentage requested for retainers.

17.46c Document a change in circumstances as an addendum to the engagement letter.

Suggested Wording

17.48 These changes are being dealt with on a continuing basis. We are spending nearly <quantifiable multiple> as many hours as indicated on our estimate. Therefore, the original fee must be revised, and our best estimate is that the total fee will be approximately \$<amount>. If you find this new estimate acceptable, please sign this letter and return it to us.

LIMITATION OF LIABILITY CLAUSE

17.49 In recognition of the relative risks and benefits of this agreement to both the client and the accounting firm, the client and the accounting firm have discussed and have agreed on the fair allocation of risk between them. As such, the client agrees, to the fullest extent permitted by law, to limit the liability of the accounting firm to the client for any and all claims, losses, costs, and damages of any nature whatsoever, so that the total aggregate liability of the accounting firm to the client shall not exceed \$<amount> or <agreed factor> times the accounting firm's total fee for services rendered under this agreement, whichever is greater. The client and the accounting firm intend and agree that this limitation apply to any and all liability or cause of action against the accounting firm, however alleged or arising, unless otherwise prohibited by law.

Comments