

# CONTENTS

## SUPPLEMENTAL MATERIAL

The supplemental material for Wolters Kluwer's CPA's Guide to Effective Engagement Letters, 12th Edition is provided at <https://www.cchgroup.com/EffEngLet12>

### *Section One: Financial Statements*

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# PREFACE

The *CPA's Guide to Effective Engagement Letters: Implementing Successful Loss Prevention Practices*, 12th Edition, provides the tools you need to compose effective engagement letters. It is intended as a practical hands-on device that can sit on your desk for ready access. The book is composed primarily of annotated parts of an engagement letter, which you can piece together to create an entire engagement letter, and actual letters that you can customize for your own purposes.

The engagement letter has evolved from a general practice management tool to a necessity for accounting firms and sole practitioners alike. Although the content of an engagement letter may vary depending on the specific type of engagement, the purpose of every engagement letter is to define and include the expectations that a CPA and a client have of each other. The engagement letter opens channels of communication between you and your client. More important, it documents this communication.

You can reap a number of benefits by creating thorough yet straightforward letters for new engagements, repeat engagements, and, especially, changed engagements. Primarily, the engagement letter fosters a clear understanding of both your responsibilities and those of your client. By setting out this understanding, you will minimize your chances of facing litigation, because the engagement letter will leave little or no room for misunderstanding—a common cause of lawsuits. If you do find yourself in the middle of a lawsuit, then the engagement letter will serve as documented proof of the duties that were outlined for the engagement. Finally, a well-constructed engagement letter also provides an opportunity to explore other potential business with your client. Down the road your client may want you to provide a service that is outside the parameters of the engagement letter. In that case, you should amend the original engagement letter and seek additional fees to accommodate the added service.

## ABOUT THE PRODUCT

The product is made up of eight sections: 1) Financial Statements, 2) Tax Preparation and Planning, 3) General Accounting, 4) Other Engagements, 5) Other Letters, 6) Internal Controls, 7) Record Retention and Destruction Policy, and 8) Disengaging. Sections One through Four include suggested wording and sample letters that deal with their particular subjects; Section Five contains sample letters covering miscellaneous subjects. Section Six provides a discussion of internal controls, with an emphasis on how they pertain to small-business clients. It also includes a general internal controls letter that warns of general defalcation, a short letter warning of defalcation, and a tailored response. Section Seven provides a template for constructing a firm's record retention and destruction policy.

Within Sections One through Four are chapters relating to more specific subject matter. The suggested wording in each chapter is designed to take you from the engagement letter's introduction to its closing. For example, in the first part of