



Sample Engagement Letter & SLA for Client Accounting Services

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YOUR COMPANY LETTERHEAD

[Date]

[Client Name]
[Company Name]
[Address]
[City, State, Zip]

Re: Accounting and Advisory Services

This letter confirms the Accounting and Advisory Services [CLIENT NAME] has asked [FIRM NAME] to perform, and under the terms, which we have agreed to do that work. Please read this letter carefully, because it outlines expectations by both our firm and your organization. The intention of this letter is to confirm your understanding of, and agreement with, both what is included with our services, as well as the limitations of the Accounting and Advisory Services you have asked us to perform. If you have any questions regarding this letter, or believe we have missed or misstated your understanding, please call NAME at (XXX) XXX-XXXX to discuss this letter prior to signing it.

Services To Be Provided (Note: Select the language from one of the three boxes below based on the engagement specifics and delete the two that do not apply. Further, review and select from Optional Paragraphs on page 20 to determine if any of these situations apply to your client relationship and consider incorporating them into your engagement letter or in Appendix B – Service Level Agreement.)

Option 1: Engagement to Prepare Financial Statements

Circumstances include the following:

- The accountant will prepare financial statements in accordance with a financial reporting framework selected by management.
- The accountant is not engaged to perform an audit, review, or compilation engagement with respect to the financial statements that the accountant is engaged to prepare.

To the appropriate representative of [CLIENT NAME]:¹

¹ The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the engagement to prepare financial statements, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph.A8 of AR-C section 70, *Preparation of Financial Statements* (AICPA, *Professional Standards*)

You² have requested that we prepare the financial statements of [CLIENT NAME], which comprise the balance sheet as of December 31, 20X1, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended and the related notes to the financial statements.²³⁴⁵ We are pleased to confirm our acceptance and our understanding of this engagement to prepare the financial statements of [CLIENT NAME] by means of this letter.

Our Responsibilities

The objective of our engagement is to prepare financial statements in accordance with [*applicable financial reporting framework*] based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including relevant, ethical principles.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion or provide any assurance on the financial statements.

Management Responsibilities

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to prepare financial statements in accordance with [*applicable financial reporting framework*]. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARs:

² Throughout this engagement letter, references to you, we, us, management, and accountant would be used or amended as appropriate in the circumstances.

² The financial statement titles should be revised as appropriate in the circumstances.

³ If the accountant is to be engaged to prepare financial statements that omit the statement of cash flows and the related notes, the sentence may be revised to read "You have requested that we prepare the financial statements of [CLIENT NAME], which comprise the balance sheet as of December 31, 20X1, and the related statements of income and changes in stockholders' equity." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows and related notes to the financial statements."

⁴ The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

⁵ You would strike out statement of cash flows and disclosures if management has elected to omit. Use this language in place of that: You have requested that we prepare the financial statements of ABC Company (the Company), which comprise the balance sheet as of December 31, 20X2, and the related statements of income and changes in stockholders' equity. These financial statements will not include a statement of cash flows and related notes to the financial statements as required by accounting principles generally accepted in the United States of America. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

- a. The selection of [*applicable financial reporting framework*] to be applied in the preparation of the financial statements;
- b. The prevention and detection of fraud
- b. To ensure that the entity complies with the laws and regulations applicable to its activities
- c. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements
- d. To provide us with
 - (1) Documentation and other related information that is relevant to the preparation and presentation of the financial statements,
 - (2) Additional information that may be requested for the purpose of the preparation of the financial statements, and
 - (3) Unrestricted access to persons within [CLIENT NAME] of whom we determine necessary to communicate.

The financial statements will not be accompanied by a report. However, you agree that each page of the financial statements will clearly indicate that no assurance is provided on them.

[If the accountant expects to issue a disclaimer, instead of the preceding paragraph, the following may be added:

As part of our engagement, we will issue a disclaimer that will state that the financial statements were not subjected to an audit, review, or compilation engagement by us, and accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.]

Other Relevant Information

Our fees for these services

[Optional paragraph: If the accountant wants to be able to offer services requiring independence in the future insert this paragraph.]

Our independence may be impaired by the performance of our services unless safeguards are maintained. We are available to discuss these safeguards with you if you anticipate engaging us to provide services that require independence, such as an audit or review of financial statements.]

[The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.]

[The accountant may include language if they require independence for future engagements:

You are also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of your financial statements.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein, and our respective responsibilities.

Sincerely yours,

[Signature of accountant or accountant's firm]

Acknowledged and agreed on behalf of [CLIENT NAME] by:

[Signed]

[Name and Title]

[Date]

Option 2: Compilation Engagement With Respect to Financial Statements

Circumstances include the following:

- The accountant will prepare, as a non-attest service, the financial statements, including related notes to the financial statements. Since the accountant is engaged to perform a compilation on the financial statements that the accountant will prepare, AR Section 60, General Principals.
- The accountant is engaged to perform a compilation on the financial statements that the accountant has prepared.
- The financial statements will include all related notes required by [the *applicable financial reporting framework*]
- The accountant expects that his or her independence will not be impaired

To the appropriate representative of management of [CLIENT NAME]:⁶

You⁷ have requested that we prepare the financial statements of [CLIENT NAME], which comprise the balance sheet as of December 31, 201X and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements⁸, and perform a compilation

⁶ The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the compilation engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A7 of AR-C section 80, *Compilation Engagements (AICPA, Professional Standards)*.

⁷ Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

⁸ The financial statement titles should be revised as appropriate in the circumstances.

engagement with respect to those financial statements.^{9 10} We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

Our Responsibilities

The objective of our engagement is to

- a. prepare financial statements in accordance with [*applicable financial reporting framework*] based on information provided by you and
- b. apply accounting and financial reporting expertise to assist you in the presentation of financial statements without performing an audit or review of the financial statements in order for them to be in accordance with [*the applicable financial reporting framework*].

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including relevant, ethical principles.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion, nor provide any assurance on the financial statements.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with [*applicable financial reporting framework*] and assist you in the presentation of the financial statements in accordance with [*applicable financial reporting framework*]. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

⁹ If the accountant is to be engaged to prepare financial statements that omit the statement of cash flows and the related notes and perform a compilation engagement with respect to those financial statements, the sentence may be revised to read, "You have requested that we prepare the financial statements of [CLIENT NAME], which comprise the balance sheet as of December 31, 20X1, and the related statements of income and changes in stockholders' equity, and perform a compilation engagement with respect to those financial statements." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows and related notes to the financial statements."

¹⁰ The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

- a. The selection of [*applicable financial reporting framework*] as the financial reporting framework to be applied in the preparation of financial statements
- b. preparation and fair presentation of financial statements in accordance with [*applicable financial reporting framework*] and the inclusion of all informative disclosures that are appropriate for [*applicable financial reporting framework*].¹¹
- c. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements
- d. The prevention and detection of fraud
- e. To ensure that the entity complies with the laws and regulations applicable to its activities
- f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement
- a. To provide us with:
 - i. access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - ii. Additional information that may be requested for the purpose of the preparation of the financial statements and the compilation engagement, and
 - iii. Unrestricted access to persons within [CLIENT NAME] of whom we determine necessary to communicate.

You are also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

¹¹ If the financial statements are prepared in accordance with a special purpose framework, the following should be added:

This includes

- a. A description of [*the applicable financial reporting framework*], including a summary of significant accounting policies, and how the [*applicable financial reporting framework*] differs from accounting principles generally accepted in the United States of America, the effects of which need not be quantified and
- b. Informative disclosures similar to those required by accounting principles generally accepted in the United States of America

Our Report

As part of our engagement, we will issue a compilation report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.¹² There may be circumstances in which the report may differ from its expected form and content.

Other Relevant Information

Our fees for these services

[The accountant may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a compilation engagement with respect to those same financial statements, and our respective responsibilities.

Sincerely yours,

[Signature of accountant or accountant's firm]

Acknowledged and agreed on behalf of [CLIENT NAME] by:

[Signed]

¹² If management elects to omit statement of cash flows and/or disclosures, you need to include this language: Our report will disclose that the Company's management has elected to omit the substantially all of the disclosures required by accounting principles generally accepted in the United States of America

[Name and Title]

[Date]

Option 3: Transaction processing only – the client has not engaged the firm to prepare financial statements or to perform a compilation engagement.

Circumstances include the following:

- The accountant is not engaged to prepare financial statements, nor perform an audit, review, or compilation engagement with respect to any financial statements prepared by the client.

At your request and under your direction, we will perform the Accounting and Advisory Services described in Appendixes A and B.

Additionally, if you have questions and/or concerns regarding your ongoing financial reporting, accounting records, and business management issues, we may provide additional assistance and describe alternatives we are aware of. Our advice and related alternatives will be based on our knowledge, training and experience, but at all times, the decisions you make are strictly yours, as is the responsibility for the financial records of your company. We encourage you to reflect on our recommendations and implement what you believe is best for your company.

If necessary, we may suggest you contact your attorney, one of our strategic partners with specific expertise, or someone else better suited to assist you. We have no responsibility to oversee the services of any other professionals with whom you engage to provide services.

[FIRM NAME], in its sole professional judgment, reserves the right to refuse to take any action that could be construed as making management decisions or performing management functions, including determining account codings and approving journal entries and will notify [CLIENT NAME] of such refusal.

Your Responsibilities

You authorize [FIRM NAME] to accept instructions from you and/or from the staff you designate for this engagement.

[Optional paragraph: If the firm wants to preserve independence for future attestation services the following paragraph should be added; if the firm are offering preparation services only the following paragraph is unnecessary.]

As a condition to performing the services described above, you agree to:

- *You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.*

- *Determine all account codings.*
- *Deciding which proposed journal entries should be implemented.*
- *Accept responsibility for designing, implementing, and maintaining internal controls over the bookkeeping processes and perform ongoing evaluations of these processes.*
- *Acknowledge that we will use information provided by you to complete our services, without further verification or investigation regarding this information by us.]*

You agree you are responsible for the proper recordkeeping of transactions in the records, the safekeeping of assets, and the preparation and fair presentation of the financial statements in accordance with [provide the applicable financial reporting framework, such as Financial Reporting Framework for Small-and Medium-Sized Entities (FRF for SME), to complete this sentence – accounting principles generally accepted in the United States of America, the cash basis of accounting [describe any modifications to the cash basis], the basis of accounting [CLIENT NAME] uses for income tax purposes, the financial reporting provisions of the contract [describe contract], etc.]. In addition, we have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control as part of this engagement.

You are responsible to make staff available during our ongoing work with you, provide timely responses to questions and calls for decisions, and devote the resources necessary to achieve the objectives of the engagement. If the information you provide is not submitted in a timely manner or is incomplete or unusable, we reserve the right to charge additional fees and expenses for services required to correct the problem and/or update your accounting records upon receipt of past-due information. If this occurs, we will contact you to discuss the matter and the anticipated delay in performing our services. We reserve the right to suspend or terminate our work. Upon suspension or termination, we will use commercially reasonable efforts to transfer information in our possession that [CLIENT NAME] is entitled to per the AICPA Code of Professional Conduct to the [CLIENT NAME] or its designated representative.

(Note: The “Independence Rule” (AICPA, *Professional Standards*, ET sec. 1.228.010) concludes that use of such clause does not impair independence, however other regulators may differ. Before including this paragraph, consider whether regulators will construe this as impairing independence.) Because we will rely on [CLIENT NAME] and its management (including the audit committee, if applicable) to discharge the forgoing responsibilities, the company holds harmless and releases [FIRM NAME], its partners and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the company’s management, which has caused, in any respect, [FIRM NAME]’s inability to discover such matters should they exist. This provision shall survive the termination of this arrangement for services.

Hardware and Software Warranties

During the course of the engagement, we may recommend a purchase and installation of computer or technological hardware, software, communications, or services by your company. Warranties, to the extent they exist, are provided only by the manufacturer/developer/vendor of those computer or software products. We will do our best to provide appropriate recommendations when available, but the final decision and responsibility to purchase any computer or software products is at your sole discretion.

Computer Consulting Limitations

We have a basic understanding of computer hardware, but our area of expertise is in accounting software and related integrated applications. We do not have the skill set to work on your network, computer hardware, Windows configuration, mapping of drives or any other computer related issues. We advise that you maintain an ongoing relationship with a qualified IT professional and/or company to ensure that

you have assistance available when technology needs arise. This includes your obligation to ensure that you have access to the internet in order to work with the software solutions and other “cloud-based” applications that we will use as a core part of the services we provide to you.

Your Investment

Your financial investment in your ongoing services with us as well as the scope of our services with you is outlined in the Appendix(s) of this agreement. In order to ensure that we are providing you with seamless access to the services and expertise you need from us, your investment has been conveniently structured as a monthly or weekly fixed fee arrangement, to be billed via recurring automatic draft to the bank account or major credit card you select. Fees will be analyzed on a quarterly basis. If the volume of ongoing transaction processing, the complexity of the services you request, or other matters change relating to the services we are providing to you, we will communicate any related change in our fees to you.

Requests for Additional Services

We want to ensure that you are never surprised by the price for any service we provide. Therefore, we have adopted a “Service Order” Policy. If you request that we provide services beyond those outlined in this agreement we will be happy to provide you with a “Service Order” outlining the scope of that request, our fees, and anticipated timeline for those services. Although we strive to meet your needs, we reserve the right to decline a request for additional services that is outside the scope of services we provide, our expertise or for any other reason. A “Service Order Request” form is provided in Appendix C. Any such requests will be considered addendums to this agreement.

Legally Required Services

In the event that we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our standard hourly rates at the time the services are performed. We will request a retainer payment in advance of the services being performed, as well as ongoing replenishments of the retainer. You also agree to reimburse us for all out-of-pocket expenses incurred in that regard.

Confidentiality

[FIRM NAME] agrees to take reasonable steps to protect all Confidential Information and to use the Confidential Information only in connection with performing the services hereunder. For purposes of this agreement, Confidential Information shall mean any and all information which is private and not in the public domain about [CLIENT NAME] that is provided, obtained, or produced in connection with the services in written, oral, digital or other tangible form, including, without limitation, all information furnished at any time relating to [CLIENT NAME]’s business, customers, intellectual property, processes, strategies, all portions of any analyses, compilations, data, studies, or other documents prepared by the [FIRM NAME] that contain or are based on any furnished information or that reflect its review of such information, and any and all information concerning [CLIENT NAME]’s plans and activities, ideas, projects, software, methodologies, processes, tools, experience, customers and suppliers, financial information, and any other information, which ought reasonably under the circumstances to be considered confidential (the “Confidential Information”). [FIRM NAME] agrees to take reasonable steps necessary to ensure that the confidentiality of the Confidential Information is maintained and that such Confidential Information is protected from unauthorized disclosure, but not to a greater extent than [CLIENT NAME] itself uses to protect Confidential Information. Without limiting the generality of the foregoing, [FIRM NAME] shall

not disclose Confidential Information to any party outside its organization, without the prior written approval of [CLIENT NAME]. [FIRM NAME] represents that, as a matter of policy, it informs its personal concerning maintaining the confidentiality of client information. The parties hereto agree that equitable relief, including injunctive relief and specific performance, shall be available in the event of any breach of the provisions of this agreement. Such remedies shall not be deemed to be the exclusive remedies for a breach of this agreement but shall be in addition to all other remedies available at law or equity.

You assume all responsibility relating to adherence with privacy and disclosure requirements relating to the use and sharing of information in your industry.

You acknowledge that the proprietary information, documents, materials, management techniques, and other intellectual property we use are a material source of the services we perform and that these were developed prior to our association with you. Any new forms, software, documents, or intellectual property we develop in this engagement for your use shall belong to us, and you shall have the limited right to use them solely within your business. All report templates, manuals, forms, checklists, questionnaires, letters, agreements (including this one), and other documents, which we make available to you, are confidential and proprietary to us. Any and all new documents created as a result of this engagement will automatically become our property. Neither you, nor any of your agents, will copy, electronically store, reproduce, or make available to anyone other than your personnel, any such documents. This agreement will apply to all materials whether in digital or "hard copy" format.

Third Party Disclosure and the use of Third Party Services

Unless you indicate otherwise, you consent to and authorize our firm to transmit confidential information that you provide to us to third parties in order to facilitate delivering our services to you. Examples of such transmissions may include, but are not limited to, the access to your contact information by members of our team (independent contractors such as consultants, administrative assistants, or third party developers), transfer of accounting information and other data files via the internet, online back-up services, web site developer and hosting services (for newsletter and order processing), or a credit card processing company. We only work with established companies that we believe to be reputable and that have demonstrated their commitment to safeguarding your data. As the paid provider of professional services, our firm remains responsible for exercising reasonable care in providing such services, and our work product will be subjected to our firm's customary quality control procedures. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

Electronic (Email) Communications

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

Record Retention

During the course of our work with you, we will use one or more third party applications (including internet-based application providers) to provide portions of our services to you. This may include online filing of your Accounts Payable or other business documents. By signing this agreement, you confirm that you understand the services being provided and also agree that [FIRM NAME] is not liable for record retention or any other aspect of the services provided by these 3rd parties, even if we absorb the cost (in part or in full) of a third party service as a benefit to you. You at all times assume responsibility for a decision to maintain hard copies of your original documents or to limit your document retention to the digital copies stored by the web application.

It is our policy to keep our electronic and work paper files electronically for three months, unless otherwise required by tax or other regulatory agencies. All work paper and miscellaneous report copies that we are not required to retain are discarded at the conclusion of the engagement. At the end of three months electronic files may be erased.

In the unlikely event that we do obtain any hard copy documents from you, all original paper documents provided by you will be returned to you promptly as our work is complete. We do not keep copies of all documents. It is your responsibility to safeguard your documents in case of future need. We may occasionally keep some copies we deem necessary to our work.

Our workpapers are the property of our firm and will be maintained by us in accordance with our firm's record retention policy and any applicable legal and regulatory requirements. Our workpapers are not a substitute for your own records and do not mitigate your record retention obligations under any applicable laws or regulations. Our policies require that we maintain workpapers for X years. Catastrophic events or physical deterioration may result in damage to or destruction of our firm's records, causing the records to be unavailable before the expiration of the retention period as stated in our record retention policy.

If our engagement with you ends for any reason, you will have the option to continue any third party subscription based services at your expense (in some cases we may have absorbed the cost of these services during our work with you). You agree to complete the transfer of services to your name and assume responsibility for payment within 10 days of the end of our work with you. Our "end date" will be defined as the 11th business day following the date shown on the email or letter of termination/resignation transmitted by either party. You understand that if you do not assume responsibility for these services that they may be cancelled. Additional fees may apply if you elect to restore those services (if that option is available from the service provider) or request copies (digital or hard copy) of records from the third party provider.

Mediation/Arbitration

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties.

[CLIENT NAME] and [FIRM NAME] both agree that any dispute over fees charged by [FIRM NAME] to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. 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 [FIRM NAME], 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.

Third Party Settlements

In the event that we are or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, then to the extent that such obligation is or may be a direct or indirect result of your intentional or knowing misrepresentation or provision to us of inaccurate or incomplete information in connection with this engagement, and not any failure on our part to comply with professional standards, you agree to indemnify us, defend us, and hold us harmless as against such obligations.

Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of _____, without regard to the principles of conflicts of law thereof.

Assignment

All obligations provided under this Agreement are between [FIRM NAME] and [CLIENT NAME] and neither party shall assign any rights or delegate any obligations hereunder without the other party's prior written consent. Any attempted assignment without the required consent shall be null and void.

Termination of Services

Either party may terminate this agreement by providing written notice to the other party.

You 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 provide the requested information or pay for services for this engagement on the agreed upon schedule, we either may discontinue performing services for you until all outstanding balances are paid and/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.

If our work is suspended due to lack of payment and we later receive payment from you along with your request that we resume services, we may provide you with an updated timeline for completion of any past due work. We are under no obligation to resume services. You understand that this may result in significant delays in processing.

We reserve the right to terminate our work immediately if, during the course of our services, we become aware of any matters that would compromise our professional or legal standing in any way, either in fact or based on confirmed or potential public perception.

Any dispute regarding billed amounts must be submitted in writing within 10 days of the invoice date; email is acceptable. No amounts may be disputed after that 10 day period.

You may elect to terminate this agreement by providing [FIRM NAME] with 30 days written notice. In the event that services are terminated, you assume responsibility for the transfer of any 3rd party vendor services as described earlier in this agreement.

If our work is suspended or terminated as provided herein, you agree that we will not be responsible for your failure to meet government and other deadlines, for any penalties or interest that may be assessed

against you resulting from your failure to meet such deadlines, and for any other damages, including consequential damages.

Insurance Requirements

You hereby acknowledge that you have business insurance necessary to cover the scope and aspects of the engagement as described in this letter and related Appendix(s).

Conclusion

This letter sets forth the entire agreement relating to our work with you. This letter supersedes any prior agreements, discussions or understandings. No amendment or modification of this agreement shall be valid unless in writing, signed by both parties to this agreement. As indicated earlier in this agreement, you may request that we perform additional services at a future date beyond the scope of this engagement letter. If this occurs, we will communicate with you regarding the scope and estimated cost of these additional services. Engagements for additional service will necessitate that we issue a Service Order as an addendum to this agreement, or a separate engagement letter to reflect the obligations of both parties.

[Optional paragraph:

The terms of this agreement are valid if signed by both parties within 10 days of the date of this letter. After that date an updated agreement may be necessary, which will include any changes to our fees, billing structure, or any other aspect of our work.]

If this letter correctly describes your understanding of our engagement, please print and sign an original of this engagement letter and return it to us along with your retainer deposit for work to begin. For your convenience our Retainer Request includes a link that you may use if you prefer to remit payment online using a major credit card. If paying online using your credit card, please simply fax your signed Engagement Letter and recurring payment draft/charge authorization to [Fax Number].

Sincerely,

[Your Name and Title]

APPROVED:

The above letter and the supporting Appendix(s) confirms our understanding of the services to be performed and the limitations of those services.

Signature

Title

Printed Name

Date

Appendix A Services to be Provided

The services marked with an X will be provided to [CLIENT NAME]

<u>X</u>	<u>Type of Service</u>	<u>Frequency/Notes</u>
	Monthly Technology Bundle – This is required for all [FIRM NAME] Accounting and Advisory Services Clients	
	New/Returning Client Setup, Consultation and Procedures Documentation	
	Accounting Data File Analysis – One Time/Initial (required to initiate all other services if an existing accounting file will be used)	
	Accounts Payable Processing – no Job Costing – using Bill.com®	
	Accounts Payable Processing – with Job Costing - using Bill.com®	
	Download/Data Entry and Coding of Credit Card transactions	
	Download/Data Entry and Coding of “other” banking and transaction activity	
	Customer/Client Invoice Preparation, Recording Client Payments Received and Recording Deposits (including recording of revenues from 3 rd party revenue reports)	
	Posting of monthly journal entries (Depreciation, Amortization, Other)	
	Bank Account Reconciliations (including loans & lines of credit)	
	Credit Card Account Reconciliations (for business expenditures)	
	Other Balance Sheet Account Reconciliations	
	<i>[Use “Preparation of or Assistance with the Preparation of” based on need for independence]</i> Monthly Internal Management Reports (to include Balance Sheet, Profit & Loss-Current Month, Profit & Loss-YTD, Accounts Receivable Aging, Accounts Payable Aging, and up to 2 previously created and automated custom reports. (The creation of custom reports requires a separate agreement.)	
	Assistance with vendor communications relating to obtaining W-9s. ([FIRM NAME] will provide assistance in this area but we do not assume responsibility for the completeness/accuracy of the W-9 information we receive from you and/or from your vendors).	
	Assistance with preparation of annual Form 1096 and 1099s	
	Payroll Processing	
	Preparation of payroll tax returns including W-2’s. ([FIRM NAME] will provide assistance in this area but we do not assume responsibility for the payment of payroll tax liabilities).	
	Sales Tax Return Preparation for the following states: Our tax services will be outlined in a separate agreement even if the fees for those services have been included in your Accounting and Advisory Services agreement.	
	Budgeting and/or forecasting	
	Managing banking relationships	
	Weekly telephone conference with your [FIRM NAME] accountant(s) representative to answer any questions specifically relating to transaction processing, open Service Order requests and other work in process.	
	Monthly management reporting and consultation meeting (via conference call or video conference) with your [FIRM NAME] senior level representative	
	Year –end accounting adjustments and closing of books	
	Prepare your corporate income and property tax returns [and/or other tax returns as appropriate]. Our tax services will be outlined in a separate agreement even if the fees for those services have been included in your Accounting and Advisory Services agreement.	
	[Other]	
	[Other]	

Appendix B

Service Level Agreement, Financial Policies and Fees

Your [FIRM NAME] Accounting Team

Initially, our services with you will be provided by the following [FIRM NAME] team members:

[Accountant]
[Controller]
[Partner]

Additional/alternate staff may be assigned to you where appropriate as this engagement progresses. You will also receive ongoing support from our Accounting Services Client Support Team/Help Desk.

Your Processing, Meeting and Reporting Schedule:

In order to ensure timely and accurate ongoing services, it is important that we ask you to provide us with your ongoing transaction, accounts payable and other information, and that you attend your ongoing meetings with us based on the following schedule:

Transaction Processing – please ensure that all documents are submitted to Bill.com by **[weekly day and time]**. Your documents will be processed within 2 business days of receipt, unless open questions we provide to you prevent the complete processing of a specific document/transaction. This schedule may be changed by mutual verbal or written agreement.

Weekly Accounting Meetings – please provide us with 2-3 weekly days and times that are convenient for you and we will confirm this ongoing appointment. More frequent communication may be required as we begin our work with you and/or when we are completing any Service Order requests. We will coordinate this with you.

Monthly Management Meetings - please provide us with 2-3 days and times between the 20th and 28th of each month that are convenient for you and we will confirm this ongoing appointment. Prior to this monthly meeting you will receive your Internal Management Reporting Package from us in order to provide the content needed for this meeting. More frequent communication may be required as we begin our work with you and/or when we are completing any Service Order requests. We will coordinate this with you.

(Note: Choose the language from one of the following two boxes based on the engagement specifics and delete the remaining box. Edit the reports to be provided based on the engagement specifics.)

Preparation or Compilation Engagements

Financial Reports:

By the [DATE] of each month, you will receive confirmation from us that your reports have been finalized and are available for your review. The standardized reports we provide include:

- Balance Sheet – Comparative Balance Sheet if prior year balances are available
- Income Statement – Month Closed
- Income Statement – Year-to-Date vs. Prior Year-to-Date (if history is available)
- Statement of Cash Flows – Month
- Statement of Cash Flows – Year-to-Date
- Accounts Receivable Aging
- Accounts Payable Aging
- Outstanding Checks
- Profit/Loss by Job
- General Ledger – Month Closed

- List of Open Items/Questions
- Summary Management Letter with Key Performance Indicators and Advisory Notes
- Up to two custom reports (cost of the design of these reports is not included in this fee)

Transaction processing only – no preparation or compilation of financial statements

Reports:

By the [DATE] of each month, you will receive confirmation from us that your internal management reports have been finalized and are available for your review. The standardized reports we provide include:

- Trial Balance
- Accounts Receivable Aging
- Accounts Payable Aging
- Outstanding Checks
- Profit/Loss by Job
- General Ledger – Month Closed
- List of Open Items/Questions
- Summary Management Letter with Key Performance Indicators and Advisory Notes
- Up to two custom reports (cost of the design of these reports is not included in this fee)

Your Investment

Your investment in the outsourced accounting services you will receive from us will be structured as follows:

- One-time analysis and implementation fee of [\$ Amount] is requested, along with this signed agreement, in order to begin our work.
- Retainer in the amount of [\$ Amount] that will be held on account and applied to any Server Order requests we receive from you that are outside of the scope of your core agreement with us. This retainer will allow us to serve you quickly upon receipt of your approved Service Order for additional agreed-upon services. We will request replenishment of this retainer on an as-needed basis.
- Ongoing payment of [\$ amount] per [week or month] beginning [DATE], to be paid via automatic bank draft or automatic charge to the American Express, Discover, Visa or MasterCard you provide to us. We will analyze this fee with you on a quarterly basis in order to discuss any appropriate changes.

If you wish to pay extra for any month, please consider your best estimate of the value we have brought to your company through this arrangement.

Payment Methods

We accept [cash, checks and e-checks (checks paid by phone), as well as major credit cards]. Appointments cannot be confirmed until payment is received.

We also request that you keep a credit card (American Express, Discover, MasterCard, or Visa) or e-check payment information on file with us so that we can provide you the most efficient service if more urgent support needs arise.

(Note: Choose the language from one of the following list based on the engagement specifics.)

Service Order Requests – Fees and Terms

- We will request a retainer from you prior to beginning any Service Order requests.
- Your retainer deposit will be applied to our ongoing services with you. Additional retainer deposits will be requested as work progresses.
- Retainer deposits, retainer replenishment, and pre-paid blocks of consulting time are nonrefundable and will expire if not used within 12 months from the date of receipt.

- As a reminder, we will not be obligated to provide services to any client who does not have a retainer deposit on account.

Scheduling and Cancellation Policy (relating to Service Order Requests)

Our schedule does have a tendency to fill quickly. Appointments are confirmed for those clients with retainer funds available. Unconfirmed/tentative appointments will only be held for 24 hours before the time is available for another client. Requests for telephone/remote access support, customized financial reports and/or queries, etc., are also covered by this policy.

We require 48 hours advanced notice if you need to cancel or re-schedule an appointment. Any less than that and we cannot typically find another client to use that block of time. If we do not receive 48 hour notice, you will be charged 100% of the time that was scheduled.

Out of Pocket Expenses:

You will be charged for travel and for any out-of-pocket expenses we incur on your behalf (office supplies, postage, etc). Generally these charges will be invoiced monthly and will be due within 10 days of the invoice date. However, we reserve the right to request payment in advance for estimated out-of-pocket expenses at our discretion. All other terms are as outlined in the "Fees" section of this agreement.

On-Site Services

We have many ways of working with you remotely. This includes, but is not limited to, Remote Access through WebEx, GoToMeeting, Remote Accounting Solutions, document exchange via web-portal, etc. We prefer to work remotely for three reasons:

1. We can schedule an appointment with you much more quickly;
2. It is a more cost-effective alternative for you than paying the trip charge; and
3. We are more readily available to you and our other clients to answer questions as they arise.

For these and many other reasons that benefit you as our client, our Accounting and Advisory Services are provided in a virtual environment and are not available on-site.

We look forward to working with you!

Appendix C
Service Order Request – Engagement Letter Addendum

[YOUR COMPANY LETTERHEAD]

Date

[Client Name]

[Company Name]

[Address]

[City, State, Zip]

Re: Addendum to Existing Engagement Letter/Service Order Request:

Dear [Client Name]:

This letter is to confirm your request for the following services, which are outside of the scope of your Engagement Letter with us:

[DESCRIBE THE NATURE OF THE SERVICES HERE]

By signing this addendum to our agreement you are providing your consent for us to initiate services and receive payment as described below. All other terms and conditions relating to the services you have requested are as outlined in the Engagement Letter.

Estimated Fee for the services described above: \$ _____

Current available retainer balance: \$ _____

Balance due in order to begin work: \$ _____

With this signed agreement, you authorize us to draft payment electronically for the “balance due” shown above using the credit card or bank account on file with us.

Estimated start date of this request: _____

Estimated completion date of this request: _____

Notes:

APPROVED:

Signature

Title

Printed Name

Date

OPTIONAL PARAGRAPHS

(Note: Determine if any of these situations apply to your client relationship and consider incorporating them into your engagement letter or in Appendix B – Service Level Agreement.)

- ***(Departures from GAAP – Optional Paragraph for financial statements containing material departures from GAAP)***

Material departures from accounting principles generally accepted in the United States of America (GAAP) may exist and the effects of those departures, if any, on the financial statements may not be disclosed.

- ***[Confidentiality –Optional Paragraph for firms providing CAS services only and working in cooperation with a tax preparer/firm]***

As your consultant, we will have access to information provided by you from your correspondence, worksheets, documents and discussion. In addition, we will collect information that we develop as part of the engagement. We work closely with many accountants on behalf of our clients, and you authorize our disclosure of all the information that we collect from you, as well as obtain additional information from your tax accountant of record. If you direct us, we will not disclose personal information about you with your accountant. You have the right to opt out of the disclosure.

As part of this agreement, you also authorize your tax accountant/CPA firm of record to freely exchange information with us, including Corporate and Individual Tax Return (Schedule C and supporting schedules only, if applicable) information as well as supporting documents which may include but are not limited to Fixed Asset, Depreciation, and other schedules.

- ***[Record Retention - Optional paragraph for receipt of documents if your firm uses Bill.com]***

We request that you provide all documents needed for us to complete our work in an electronic format. At the start of this engagement we will provide you with an email address and dedicated fax number that you can use to scan and send or fax information to us. We will also provide you with access to a document “portal,” so that you may upload documents to us and retrieve documents that we share with you.

- ***[Optional paragraph only if you are billing the client for any 3rd party software or other charges] Hardware and Software Purchases (including ongoing software subscription charges):***

All costs for hardware and software purchases are due in full in advance of each purchase. Depending on the nature of the purchase, you may be billed by [FIRM NAME] or by the vendor directly. Payment for ongoing subscription services (such as application hosting) requires automatic billing to your credit or checking account.

- ***[Your Investment - Optional paragraph if you will agree to provide any on-site services]***

If you request on-site training, advisory or other consulting services from us, all fees will be due and payable via check or credit card prior to the consulting session. Generally, on-site services will only be provided for full-day business advisory appointments (8 total hours - 7 working hours with a 60 minute lunch) at a fee of [\$ Amount] per day plus travel and any out-of-pocket expenses.

All estimated time and trip charges are due and payable to confirm appointment. In the event that you cancel a scheduled appointment, any airfare or other charges we have already incurred related to this appointment will be nonrefundable. Appointment cancellations received with less than 48 hours notice will be considered 100% billable and nonrefundable.

- ***[Scheduling - Optional paragraph if you provide technology training and support services]***

Training and support appointments (including requests for customized reports) can be scheduled via telephone or by emailing us. Once a request is received by our office we will contact you in order to confirm our understanding of your request and to confirm the anticipated timeline for completion. If you do not have a retainer balance on account with us at the time we receive a request from you, you will be asked to replenish your retainer balance before an appointment (or internal staff time) for support services will be scheduled. For clients with retainer balances available, most support requests can be completed within 2 business days. If additional time is required we will let you know. If you require expedited assistance in a particular situation please let us know. Additional charges may apply for services that require completion in less than 2 business days.

➤ ***[Non-Solicit Clause-Optional paragraph]***

We value each and every one of our clients as well as each and every one of our employees. We have spent a great deal of time and resources to locate, train, and retain our employees. We respectfully request that you do not solicit our employees to work for you. If you do hire one of our employees within 2 years of when they last worked for [FIRM NAME], we will be due a finder's fee equal to 50% of the annual salary they were earning as of their last day of employment. Payment will be due within 10 days of your receipt of our invoice.