

ENGAGEMENT LETTERS – BEST PRACTICES

This is a general discussion of this topic and is not meant to provide specific advice for any firm. Please consult with your attorney and/or professional insurance carrier to address the needs of your firm.

1. Secure a signed engagement letter from your client for each engagement, such as monthly bookkeeping, financial audits, tax preparation or special projects.
 - A new letter should be secured for each project, such as 2014 tax preparation and 2015 tax preparation.
 - Separate letters should be secured for each engagement, such as 2015 tax preparation and 2015 income projection for purposes of a bank loan.
 - Describe the specific engagement, such as, preparation of your 2015 federal, Illinois and Maine income tax returns.
 - An engagement letter should be signed & dated by your firm & by the client.
2. Include limiting phrases, such as:
 - We're not auditing your books or looking for fraud, defalcation, etc.
 - You have the final responsibility to review your tax returns before signing them.
 - We will bring any discovery of errors/omissions on a prior year tax return or financial audit to your attention.
 - Your signature below indicates you understand that results of IRS controversy engagements are not guaranteed.
 - Additional services (such as X, Y or Z), if required, are not included in this engagement.
3. Discuss your fees.
 - Is this engagement flat fee? Hourly?
 - Will your client pay for this engagement upon being billed, through an up-front retainer, or using a different method?
 - How are fee disputes to be addressed?
 - What is the time period during which an action may be brought regarding fees (such as, no more than 1 year after the date of the last services provided under the specific engagement letter)?
 - Limit your liability to the amount of the fees paid for that specific engagement.
4. Discuss your privacy policy. You may wish to include such topics as:
 - Non-disclosure of information to 3rd parties, except as required by law and/or permitted by the Code of Professional Conduct of the AICPA.
 - How you handle provision of information to firm affiliates and/or firm service providers.