

Engagement Letter Checklist

The following checklist of do's and don'ts can assist you in writing engagement letters. By clearly defining an engagement's scope and services, you can avoid misunderstandings.

What you should do:

- State the purpose of the engagement
- Define the scope of the engagement (specifically what you will and won't do)
- Specify known negative conditions or adverse situations
- Note client instructions, responsibilities, deliverables and dates
- Note reliance on facts provided by client
- Outline terms of fee collections and the consequences of late payment
- Request your client's signature
- Instruct your client to return signed letter

Additional areas to consider:

- Include warnings regarding inadequate internal controls
- Explain limitations regarding financial statement distribution
- Include an arbitration clause for fee disputes only
- Explain termination procedures

What you should NOT consider:

Marketing information

Defer promotional information and other forms of marketing to other documents. Your engagement letter should be viewed as a contract and composed accordingly.

All-encompassing language

Avoid absolutes, superlatives, and words that expand rather than limit your responsibilities.

Legal jargon or ambiguity

Make your engagement letter easy for your client to understand. Don't use abbreviations or words only a CPA would understand.