**[Date]**

**[Client Name]**

**[Client Address]**

**[Client Address]**

Re: *Engagement to Provide Payroll Services for* ***[Client Name]***

Dear **[Client Name or Representative]**:

It is our pleasure to confirm the services that we will be providing to you and memorialize the terms of our agreement.

**[Every engagement is different. Each engagement letter should be careful to specifically state the services that are being provided for the particular client and to avoid the use of general statements that can be interpreted by the client to expand the scope of services listed. Phrases such as “handle all of your payroll needs” or “provide comprehensive payroll services” would be over expansive and subject to conflicting interpretations. Select from the following statements or draft other specific and accurate descriptions to conform with the understanding of the services to be provided.]**

We will provide payroll services to you consisting of **[describe the particular services to be provided such as - recording payroll transactions, initiating withdrawals from the accounts you designate, calculating withholding and taxes, coordinating with ADP, preparing payroll tax returns, etc.]**. As we deem appropriate, we also may prepare such reports, journals, ledgers, reconciliations, and trial balances we judge are necessary to the services we are providing.

We will process payroll for the [day of month] based on [Client]’s salary and hourly reports. We will need verification of time worked before processing the payroll. The checks are to be [pre-signed/signed by a designated individual, etc.]. It is management’s responsibility to substantiate and authorize all time records. We will not audit, examine, or review these time records.

Beginning [month] we will prepare, on a quarterly basis, the federal and state payroll tax returns for the state(s) of [Name of State(s)]. ***You are*** ***responsible for making federal and state payroll tax deposits.*** If there is payroll tax due with the quarterly report, we will notify you. On an annual basis, we will reconcile all payroll tax returns with the payroll withholding records. Our firm will also prepare the year-end payroll tax returns, including federal and state unemployment tax returns, and Forms W-2 and W-3, as required.

We will perform our services based upon information provided by you or your designees. We will not verify or audit any of the information you provide to us and our engagement cannot be relied upon to disclose errors, illegal acts, fraudulent financial reporting, or misappropriation of assets that may have occurred. If any amount appears unusual we will call it to your attention and we will inform the appropriate level of management of any material errors and of any evidence that may come to our attention that fraud may have occurred. **[Client Name(s)]** understand and agree that you are responsible for preventing and detecting fraud and for the design and implementation of appropriate internal controls.

**[Client]** is responsible for providing us with all of the information we request in a timely fashion such that there is a reasonable amount of time for us to complete our work prior to any deadlines. In addition, **[client]** shall designate a person of appropriate skill, experience and authority to be our contact person at **[client]**.

All services are limited to what is specified in this agreement. If additional accounting or tax services are required, they will be covered under a separate engagement letter.

 **[NOTE: As a best practice, the Client(s) should be invoiced and approve all of Accounting Firm’s fees, especially if Accounting Firm draws the check to itself. If fees payable for a given period (e.g., monthly, quarterly) exceed the Client’s base fee, make sure to document the additional work justifying the fee in a communication to the client, or through a separate engagement letter, if practical. If you have any questions regarding fee arrangements, be sure to contact your Risk Management Professional.]**

**General Terms of Engagement**

Our fees for the above services will be based on the time expended at our standard rates (available upon request **[or set forth here]**), plus out-of-pocket expenses, and will be billed to you **[monthly]**.

All invoices are due and payable **[“upon presentation” or “within 30 days” or other appropriate time period]**. Work may be suspended if your account becomes overdue and may not resume until your account is paid in full. If we elect to terminate our services for non-payment, our engagement will be deemed to have been concluded upon our providing you written notification of termination, even if we have not completed our work. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination, regardless of whether the services were completed by that point. If we stop work based on your account becoming overdue, we will not be responsible for any damages, tax, interest or penalties caused by or related to the work stoppage.

We note that there are various regulations concerning the timely payment of payroll and payroll taxes. Should we suspend our work due to non-payment or other reason, certain payroll and payroll related payments may not be made as required. We are not liable for **[client’s]** potential violation of local, state or federal laws, or other contractual arrangements, due to any engagement suspension pursuant to the terms of this Agreement.

It is our policy to retain engagement documentation for a period of **[“seven” or other period of time consistent with applicable rule or regulation and the firm’s document retention policy]** years, after which time we will commence the process of destroying the contents of our engagement files. Through our engagement, we may gain possession of various original records, such as bank statements, invoices, cancelled checks, etc. If you would like us to return those records to you, please so advise. We may, however, need to retain copies of such records as are necessary or prudent in accordance with our professional obligations.

We may from time to time and depending on the circumstances and nature of the services we are providing, share your confidential information with third-party service providers, some of whom may be cloud-based, but we remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality terms with all service providers to maintain the confidentiality of your information and will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure appropriate confidentiality terms with a third-party service provider, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Although we will use our best efforts to make the sharing of your information with such third parties secure from unauthorized access, no completely secure system for electronic data transfer exists. As such, by your signature below, you understand that the firm makes no warranty, expressed or implied, on the security of electronic data transfers.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted, 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 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, or disclosure or communication of confidential or proprietary information.

In the event we are requested by the Client**[s]**, or are required by government regulations, subpoena, or other legal process, to produce documents or our personnel as witnesses with respect to our engagements for you,you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such requests.

**[Some jurisdictions do not allow the shortening of the statute of limitations and others only allow it to be shortened to a specific or reasonable time. Consult your risk management professional to determine if and to what extent the following provision is appropriate for you and complies with the law in your jurisdiction.]**

**[**All claims relating to the performance of the services rendered under this agreement must be asserted within [x years] of the delivery of the workproduct contemplated under this engagement or they will be time-barred as a matter of law.**]**

**[Identify Fee Arrangement (e.g., monthly fee, percentage of adjusted gross income) and how bills will be paid. As a best practice, the Client(s) should be invoiced and approve all of Accounting Firm’s fees, especially if Accounting Firm draws the check to itself. If fees payable for a given period (e.g., monthly, quarterly) exceed the Client’s base fee, make sure to document the additional work justifying the fee in a communication to the client, or through a separate engagement letter, if practical. An Accounting Firm’s fee arrangement in a Business Management/High Net Worth/Family Office engagement should be clear and unambiguous (e.g., define adjusted gross income). If you have any questions regarding fee arrangements, be sure to contact your Risk Management Professional.]**

While we do not expect there to be any problems whatsoever with our relationship, misunderstandings can occur. We believe that most disagreements can be resolved to mutual satisfaction in a friendly, non-threatening environment. Accordingly, in the event of any dispute arising out of, or relating to, this engagement, the parties will first attempt in good faith to settle the dispute through non-binding mediation administered by the American Arbitration Association under its mediation rules, before resorting to litigation or similar action.

In the event that the parties fail to settle the dispute through mediation, all parties agree that any further action arising out of or relating to this engagement shall be decided by a court of competent jurisdiction **[Consider identifying a specific court to hear the dispute if local practices permit.]** by a judge sitting without a jury. **WE BOTH ACKNOWLEDGE AND AGREE THAT WE ARE WAIVING ANY AND ALL RIGHTS WE MAY HAVE TO HAVE SUCH DISPUTE DECIDED BY A JURY [please check to see if this is permissible under local state law].**

**[If you determine, after consultation with your risk management professional, that arbitration is a more appropriate dispute resolution forum, use the following paragraphs.]**

**[**Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its Professional Accounting and Related Services Dispute Resolution Rules and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

The place of arbitration shall be **[specify appropriate location]**. The arbitration shall be governed by the laws of the State of [state]. The arbitrator(s) shall not award consequential damages in any arbitration initiated under this section. Any award in an arbitration initiated under this clause shall be limited to monetary damages and shall include no injunction or direction to any party other than the direction to pay a monetary amount. The award of the arbitrators shall be accompanied by a reasoned opinion. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties. **]**

Our liability relating to the performance of the services rendered under this letter is limited solely to the direct damages sustained by [the client]. In no event shall we be liable for the consequential, special, incidental or punitive loss, damages or expenses suffered by [the client] (including without limitation, lost profits, opportunity costs, etc.). Notwithstanding the foregoing, our maximum liability relating to the services rendered pursuant to this engagement shall be limited to the fees actually received by us for this engagement.

[The Client**[s]**] hereby indemnifies its partners, principals, employees and agents, and holds them harmless, from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing or reckless misrepresentation by [the Client], its management, employees or agents, regardless of whether that person was acting in a manner adverse to [the Client’s] interests.

If any provision of this letter is unenforceable, the remaining provisions shall be enforced to the fullest extent possible. If any provision of this letter is deemed overbroad or unreasonable by a court of law **[or arbitrator]**, such provision shall be given effect to the maximum extent possible by narrowing or removing that aspect of the provision found overbroad or unreasonable, and enforcing the remaining portions to the fullest extent permissible under the law.

After reviewing this letter, please sign in the space designated and return it to us to confirm your receipt of this letter and your understanding of the scope, terms and conditions of this engagement. If you have any questions, do not hesitate to contact us.

We look forward to working with you and enjoying a mutually beneficial relationship.

Very truly yours,

[Insert Firm Signature}

**[Accounting Firm]**

Agreed and acknowledged:

**[Client Representative]**

**[Client Name]**