



Engagement Letter

The engagement letter defines the terms of your service. Once the engagement letter is signed by the client, the terms listed become legally binding. While the engagement letter is a contract, it is still written as a business letter, and conforms to the expectations of professional writing. (**Refer to Formatting the Business Letter resource.**) Make every effort to conform your style and tone to the culture of the client receiving the letter.

1. **Introduction:** In the first paragraph, you will provide a basic introduction which is meant to open with good will.
 - A. Introduce yourself and your company.
 - B. Thank the client for choosing your company.
 - C. Briefly remind the client of your expertise and your firm's reputation.

2. **Services:** The second paragraph explains and defines the services you provide, what constitutes extra services, and the methods for providing services that occur outside of the agreed upon terms. If you are not explicit and specific, your client may misunderstand and expect services that you are not willing to provide. Include the following:
 - A. Your primary and secondary tasks—you may bullet this information.
 - B. Any limitations—this is important. You must ensure that your firm is not going to be held liable or be expected to do something outside of the agreed upon tasks.
 - C. Your client's responsibilities—you cannot do your work without certain pieces of information from your client, so list those from the onset and give the client a time limit.
 - D. Confidentiality—you should explain that you will not provide his or her information to the public; likewise, if he or she wants a referral, you will need to get permission from one of your clients. Let the new client know that you must first get permission.
 - E. Deliverables with dates—be specific. If you are providing certain accounting services, you must tell the client when certain documents are filed. If you are consulting, give the dates that you are going to be at their physical address and the length of time it will take for you to write the report.
 - F. Remove liability from your firm in the event your client provides you with faulty information resulting in an audit. You should have a clause in your services that explicitly removes your firm from liability for late fees etc. that occur because of the client's lack of information or truthfulness.

3. **Money:** While discussions about money can be uncomfortable, you must present the costs as explicitly as you can and include those services that you will bill over and above the amount you have agreed upon.
 - A. Bill for skills that you and your firm provide. If you provide an hourly assessment, consider the specific skills—experience, expertise, and education—that go into the fee for a service, as well as the filing fees, copying fees, accountant fees, etc.
 - B. Provide the invoice dates for regular service and for additional service.
 - C. Late-fee charges should be explained for the routine invoice as well as an invoice that comes as a result of agreed upon extra services. (Mention that you do not charge above the standard rate in your profession.)



- D. Explain any secondary fees (travel, etc.).
 - E. Provide information on retainer fees, including the reason for the retainer, the amount, and what happens at the end of service with the retainer.
 - F. You must explain any warranties or responsibilities regarding success or failure.
- 4. Termination:** You should have an agreement about how to end the business relationship.
- A. Explain the rules for termination.
 - B. Explain the length of time you will need to provide final billing and any costs relevant to early termination.
 - C. Explain the length of time you will need to return retainer fees, copies of files, etc.
 - D. This paragraph will end the body of your letter. Conclude with goodwill.
- 5. Acknowledgement and Acceptance:** You must provide information on the person accepting the letter. Include the following:
- A. Client's company name.
 - B. Accepted person's signature.
 - C. Accepted person's printed name.
 - D. Accepted person's title.
 - E. Date.

Many companies now send this very important letter via email as an attachment and expect the client to provide a digital signature. If your client is not prepared to do so, provide him or her with a fax number and have him or her print the letter, sign it, and fax it back to you or scan back into their email to send. Companies are finding that digital storage is less expensive than hard copy.