

## Engagement Letter for Small Business Services

Knight Accounting & Technology, LLC

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Dear Client:

This letter is to set forth the terms and objectives of our engagement and the nature and limitations of the services we will provide to your company until mutually changed.

### WORK TO BE DONE

**A. Agreed Upon Services.** Services will be performed according to the following levels of service. Please select which level (or levels, if applicable) you desire by initialing or checking on the lines below. Failure to select a level of service will result in the default service of tax preparation, only, with all additional consultations being billed at hourly rates.

**Tax Preparation:** Business and fiduciary tax returns are billed at \$475-\$1075 per return, which includes 1 hour for collecting materials, preparation of tax return, and up to 1 hour of bookkeeping for the preparation of the tax return and consultation time. Additional bookkeeping, data collection, consultations and audit representation will be billed at the standard hourly rate of \$125/hour.

**Bookkeeping & Payroll:** Routine services performed as requested by the client (i.e. QuickBooks data entry, sales tax returns, and payroll processing) and billed at the standard hourly rate of \$125/hour. Consultation on financial and operations matters will also be billed at the standard hourly rate of \$125/hour.

**Consultation:** Consultation services are available at the request of the client on specific issues, such as corporate formations, QuickBooks review, cost-savings analysis and tax planning. Services will be billed at the standard hourly rate of \$125/hour.

**Full-Charge Accountant:** At the client's request, a monthly fixed fee charge of \$\_\_\_\_ can be set in lieu of hourly charges. Once set, the fixed fee will be reassessed as needed, but no less than annually. The full-charge service includes an agreed upon mix of tax preparation, bookkeeping, payroll and consultations, specifically: \_\_\_\_\_

**B. Scope and Service Limitations.** Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations, which may exist. We will make our best effort to inform you of any such matters that come to our attention. The client agrees to maintain proper separation of business and personal funds, furnish all information that is necessary for the performance of the engagement and is responsible for the proper recording of transactions in the books of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. Guidance for applicable rules regarding taxation (Pub 17), recordkeeping (Pub 552), accounting methods (Pub 538), charitable deductions (Pub 526) and more can be found at [www.irs.gov](http://www.irs.gov). The client is also responsible for maintaining sufficient documentation, including receipts and third party statements, to substantiate all items of income and deductions claimed, including travel and entertainment expenses and W-9's and copies of insurance for independent contractors. It is your responsibility that you retain all records, including receipts and statements, for at least seven years. It is recommended that the client upload all documents to our secure portal. If you choose to send your documents in an unsecure method such as email or mail instead, please keep the originals as Knight Accounting & Technology, LLC will not be responsible for lost or stolen originals.

Knight Accounting & Technology will not be responsible for performing any work without your specific acknowledgment of such duties. This includes, but is not limited to, quarterly filings of payroll and estimated tax, sales tax returns, vendor tracking and obtaining W-9's for 1099 preparation, and other such returns, unless you specifically request Knight Accounting & Technology to do so. Knight Accounting & Technology is not obligated to contact you regarding any such matter, and you will be responsible for your own duties as a business owner and individual, including filing information returns outside of this agreement such as the Report of Foreign Bank and Financial Accounts (FBAR), Beneficial Ownership Information, or other Financial Crimes Enforcement Network (FinCEN) required reports.

Failure to forward a full copy of any IRS correspondence within 5 calendar days of the date on the first notice (phone calls are not acceptable) will further limit our liability to cover any interest and penalties. In the event of an examination, audit or other government contact, we are available to represent you upon request, based on our standard hourly service fee at that time. Knight Accounting & Technology is also available year-round to answer questions and provide tax planning. Such additional services will be billed to you as our efforts are incurred, including time, direct expenses for technology services, report production, out of pocket costs, and travel expenses.

As a general rule, we require that all information be provided to us no less than 30 calendar days prior to the date when you expect us to deliver your tax return(s) or perform any services. Be aware that if you submit your data after the date requested, the tax returns may be filed late. Although we will endeavor to extend the due date of your tax return(s) if they are not done by the tax filing deadline, ultimately you may be subject to late filing penalties because of the delay.

## **FEE SCHEDULE**

**A. Payment Terms.** Knight Accounting & Technology reserves the right to ask for a retainer, based on the estimated price of a tax return or service to be provided. If a retainer is not requested, invoices for services are due when rendered and interim billings may be submitted as work progresses. Once the work is complete, you will either be billed for the additional cost or receive a refund if the cost is less than the retainer. Small businesses are encouraged to sign up for a monthly fixed fee contract. Those who prefer to be billed as work is incurred will receive a summarized invoice at the end of each month. Invoices for services will be summarized and mailed on a monthly basis, often on the 1<sup>st</sup> of each month. Payment is due when services are rendered and interim billings may be submitted as work progresses. We respectfully request payment within 30 days of the invoice date. In the event that any balance is past due, we reserve the right to cease working on your return(s) or providing any other services, including payroll, until the balance has been paid in full. If you have a balance on your account after 30 days, there will be a late fee of 1.5% or a rebilling fee added to the second billing and on each monthly statement thereafter. At any time after the second billing, your account may be sent to collections. You will be responsible for any court costs, attorneys' fees and any costs associated with collections.

**B. Factors Affecting Your Fees.** Professional fees will be based upon several factors; the most important of which includes time and labor involved, skill requisite to perform the professional services properly and any special circumstances imposed. Additional charges for computer services, fax transmissions, report production and out of pocket costs, including travel costs, may be added to our professional fees. Such charges are in addition to any estimated fees given.

## **CONDITIONS OF PAYROLL PROCESSING**

We will set up your company for payroll on the basis you determine appropriate. We will do the initial set up of new employees for payroll using the information from documents that you provide. We will train you to use the online system to run payroll for your employees. After initial setup, you will be responsible for inputting payroll information on a timely basis (at least three business days prior to your payroll deadline), including pay rates, employee status, and benefits information. Knight Accounting & Technology will handle electronic payment of federal and state payroll taxes, as well as agreed upon monthly, quarterly and annual form filing. You must maintain sufficient funds in your bank account to cover payroll expenses and related tax liabilities. We will send you notification of any tax payments that will be electronically withdrawn from your account with at least two days notice. You will be charged an exceptions fee if there are insufficient funds in your account when payroll or payroll taxes are due. Tax payments that are required to be paid manually will be mailed to you and you are responsible for making those payments. We will not audit or verify the information that you provide to us, and we are not responsible for the detection of errors, irregularities, theft, fraud or illegal acts. You are solely responsible for adhering to all federal and state employment laws, worker's compensation and other insurance requirements, and hiring practices, including verifying the eligibility of workers and maintaining sufficient documentation regarding hiring, job performance and termination. We do not provide legal services or human resources consulting, although we strongly recommend that you reach out to these professionals regarding your company's hiring and retention practices, personnel files, and related paperwork. Failure to forward a copy of any IRS correspondence within 5 calendar days of the date on the first notice (phone calls are not acceptable) will further limit our liability to cover any interest and penalties.

## **TERMINATION**

**Right to Terminate.** Either party may terminate this relationship at any time by any form of written notification including email (as long as confirmation of receipt is tracked by either party). All fees and costs would be owing up until time of termination.

## **LIMIT OF LIABILITY**

You agree that Knight Accounting & Technology's liability hereunder for damages, unless caused by intentional acts, shall not exceed the total amount paid for the services described herein. This shall be your exclusive remedy. Failure to forward a copy of any IRS correspondence within 5 calendar days of the date on the first notice (phone calls are not acceptable) will further limit our liability to cover any interest and penalties.

You further agree that Knight Accounting & Technology will not be liable for any lost profits, or for any claim or demand against you by any other party. In no event will Knight Accounting & Technology be liable for incidental or consequential damages even if we have been advised of the possibility of such damages. Either party may bring no action, regardless of form, arising out of the services under this agreement, more than one year after the date of the last services provided under this agreement.

**DOCUMENT RETENTION:** It is our policy to retain work papers related to this engagement for seven years. Upon the expiration of the seven-year period, you agree that we shall be free to destroy our work papers. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. You should retain the tax records related to the current year's tax returns, including any receipts, statements or other supporting documentation, for at least seven years after it was filed, since any additional assessments are usually made during this period. Once your return(s) are completed, you will be given a copy for your records. There is a minimum charge of \$25.00 for the time and efforts involved in providing you with additional copies of your tax returns, so please retain the copies you receive from us.

**PRIVACY NOTICE:** As your service provider, we collect information provided by you from your tax organizer, worksheets, documents, computer data files and discussions, information provided to us at your request by brokerage houses and banks, and information that we develop as part of the engagement. We are committed to the safekeeping of your confidential information and we maintain physical and electronic safeguards to protect your information. We are required to keep all information about our engagement confidential. We will not disclose any information about you unless we have your approval as required by law (Rev. Proc. 2008-35), even if you are no longer a client. If you would like your records released to a third party, such as a mortgage lender, in accordance with Rev. Proc. 2008-35 you must sign a disclosure statement, which we have provided a copy of on [www.cpamichele.com](http://www.cpamichele.com). Please fax us your signed authorization to release the information to (303)374-5665. There is a minimum charge of \$25.00 for the time and efforts involved in providing your information to a third party.

## **APPLICABLE LAW**

This engagement letter shall be governed as to validity, interpretation, construction, effect and in all other respects by the laws and decisions of the state of Colorado. In the event of commencement of any legal action regarding any term or condition of this engagement such action by agreement is to be subject to the jurisdiction of the courts of Summit County, Colorado.

## **COMPLETE AGREEMENT**

This letter comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals oral or written and all other communications between the parties. If any provision of this letter is determined to be unenforceable, all other provisions shall remain in force. If you have any questions or concerns regarding this engagement letter or desired services, please contact us at the address below or via email at [cpa@cpamichele.com](mailto:cpa@cpamichele.com).

Signed By:



\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

Client Name	Title	Company	Date
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/s/ Michele A Knight, CPA, member, Knight Accounting & Technology, LLC, PO Box 913, Frisco, CO 80443