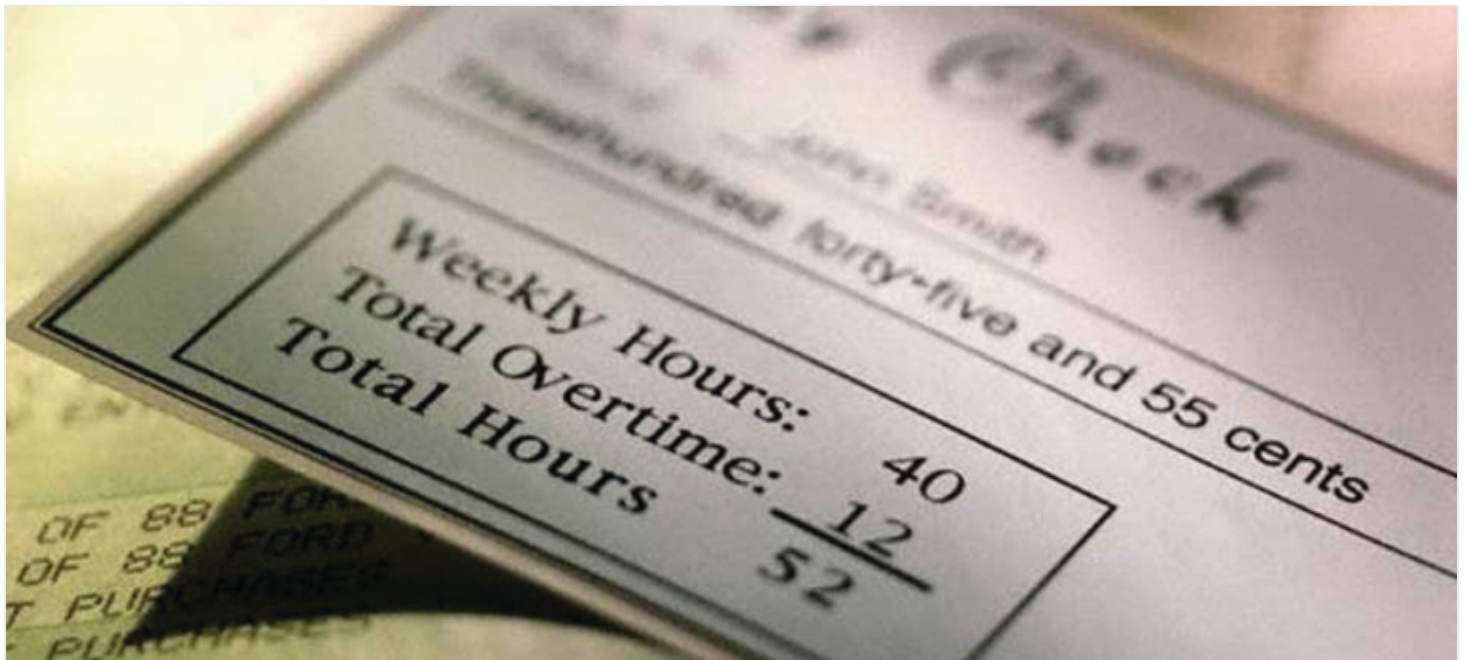


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will provide to clients. They usually detail the service provided, the amount of risk present and professional standards.

Taija Sparkman • Nov. 05, 2014



Client engagement letters serve to outline the scope of service a payroll practitioner will provide to clients. They usually detail the service provided, the amount of risk present and professional standards.

Engagement letters should be issued to new clients at the beginning of the practitioner/client relationship and reviewed annually for existing customers. If the scope of services, terms and conditions or charging fees change, practitioners should draft and send revised engagement letters reflecting this change. For example, if a sole practitioner changes to a partnership or a client incorporates or merges with another business.

Separate engagement letters should be sent to each client a service is provided to,

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following elements:

- **Terms of service:** The engagement letter will spell out clear terms of the contract between the payroll practitioner and the client. It will detail specifically which services are the payroll practitioner will provide.
- **Exclusion clause:** Payroll practitioners may manage the entire payroll process or just specific services for their clients. In either case, an exclusion clause will identify any services that the practitioner will not provide such as independent contractor classifications, labor regulations or Employee Retirement Income Security Act compliance.
- **Due dates:** Practitioners should establish a list of important dates and provide clients with a list of dates by which certain information must be provided to the practitioner.
- **Stop-work provisions:** Payroll practitioners should outline a stop-work clause, which would be used in cases of nonpayment, conflicts of interest or unethical behavior.
- **Professional standards:** Clients may not always know what is acceptable or required for compliance with laws and regulations. Therefore, it's imperative to include clauses that outline professional standards and tax positions that need to be considered.
- **Record Retention:** The engagement letter should address the expectation of clients to properly and accurately retain their own records. If necessary, include guidelines for the length of time records should be maintained and how they should be kept.

- *Limitation of liability, consequential damage disclaimers and period to file a*

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