

SAMPLE COMPILATION ENGAGEMENT AGREEMENT

Note: this illustrative engagement agreement is to be used for engagements in which the CPA is performing a compilation only, and the CPA is independent with the governmental entity. For engagements in which the CPA will both prepare the financial statements and perform a compilation, please refer to the AICPA *Statements on Standards for Accounting and Review Services* and related practice aids to determine the modifications that should be made to this engagement agreement.

(Date)

(Addressed to the governing
board of the entity)

Dear _____:

As certified public accountants licensed to practice in Louisiana, we are pleased that you have engaged our firm to perform a compilation engagement for the Any Parish Drainage District as of and for the year ended June 30, 20X1. This letter will confirm our understanding of the terms and objectives of our engagement, and the nature and limitations of the services we will provide to the District.

We will perform a compilation engagement with respect to the basic financial statements of the District as of and for the year ended June 30, 20X1, as required by Louisiana Revised Statute 24:513.

Objectives The objective of our engagement is to apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Our Responsibilities We will conduct our compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* (SSARs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA), and will comply with the AICPA's *Code of Professional Conduct*, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement, or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion, nor provide any assurance on the financial statements.

The supplementary information accompanying the compiled financial statements will be presented for purposes of additional analysis. The supplementary information will be compiled from information that is the representation of management. We will not audit or review the supplementary information. We will not express an opinion, a conclusion, or provide any assurance on such supplementary information.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the District, or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our procedures that indicates that fraud may have occurred. In addition, we will inform you of any evidence or information that comes to our attention during the performance of our procedures regarding any wrongdoing within the District or noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential. Should we become aware of fraud or misappropriation of funds we shall immediately notify, in writing, the Legislative Auditor and the appropriate law enforcement agency, including the local district attorney and sheriff.

(Note: For charter school engagements, the accountant will also notify the Louisiana Board of Elementary and Secondary Education of any errors, misappropriation of funds, or fraud that come to his/her attention during the engagement.)

We have no responsibility to identify and communicate deficiencies or material weaknesses in the District's internal control as part of this engagement.

Your Responsibilities The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the preparation of the District's financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARs:

- a) The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of financial statements
- b) The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America
- c) The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements
- d) The prevention and detection of fraud
- e) To ensure that the District complies with the laws and regulations applicable to its activities
- f) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement
- g) To provide us with (i) access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters; (ii) additional information that we may request from you for the purpose of the compilation engagement, and (iii) unrestricted access to persons within the District of whom we determine it necessary to make inquiries

The district's management is also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge and experience to oversee any services we provide; evaluating the adequacy and results of the services performed, and accepting responsibility for such services.

Our Report As part of our engagement, we will issue a written report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Our report will include a paragraph that states that the accompanying supplementary information has been compiled by us, that we did not audit or review the supplementary information, and we will not express an opinion, conclusion, or provide any assurance on the supplementary information.

(Add if applicable) Our report will include a paragraph that states management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America.

The District agrees to include our accountant's compilation report in any document containing financial statements that indicate that we have performed a compilation engagement on such financial statements and, prior to inclusion of the report, to ask our permission to do so.

Our report will be used by you and the Legislative Auditor but, in accordance with state law, the report will become a public record.

If, for any reason, we are unable to complete our compilation engagement of the District's financial statements, we will not issue a report on such statements as a result of the engagement. Should such situation arise, we will notify you and the Legislative Auditor.

Due Professional Care A compilation may not meet the needs of all report users, who may require additional information and assurances on the financial statements, internal control, and compliance with

laws and regulations. In accordance with *Government Auditing Standards*, you should consider whether additional testing of financial statement amounts and presentations, controls, and compliance are necessary to supplement the coverage of these areas and to meet the reasonable needs of report users. These additional needs are quite often met by:

- An audit of financial statements conducted in accordance with *Government Auditing Standards*,
- Supplemental (or agreed-upon) procedures, or
- An examination of compliance or internal control resulting in an opinion.

If during the performance of our engagement we become aware that a compilation will not satisfy the requirements of all report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements, and will submit the engagement to the Legislative Auditor for approval. We will consider all standards that may apply, but in particular, we will be cognizant of:

- State of Louisiana's audit law.
- Audit requirements of *Government Auditing Standards*.
- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR Chapter I and Chapter II, parts 200, 215, 225 and 230) requirements when federal award expenditures equal or exceed \$750,000 for the fiscal year.
- Bond requirements, either to issue bonds or as a bond indenture provision.
- Other contractual requirements.

We are available to discuss the expanded needs of report users, the nature of the expanded examinations, and the degree to which these type examinations, or other examinations, will meet the needs of the District and its report users.

Timing of Engagement It is our understanding that the accounting records will be available _____ . We anticipate that the engagement will commence no later than _____ and that the reports will be issued no later than _____.

Reporting Package. The reporting package will consist of:

- The accountant's compilation report prepared in accordance with SSARS;
- A schedule of per diem paid to board members, if applicable;
- The schedule of compensation, reimbursements, benefits and other payments to agency head, political subdivision head, or chief executive office, as required by Louisiana Revised Statute 24:513 A. (3), enacted by Act 706 of the 2014 Legislative Session;
- Management's corrective action plan for any findings contained in the report, which management will complete;
- A summary schedule of prior year findings, which management will complete; and
- A data collection form, to be prepared by the District's management.

We will assist you in the preparation of the data collection form, management's corrective action plan, if applicable, and the summary schedule of prior year findings, if applicable.

Recommendations During the course of our engagement, it is possible that we may observe opportunities for economies of operation, for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in written form.

Prior Comments and Recommendations Our engagement will include a review of any prior-year suggestions, recommendations, and/or comments included in the summary schedule of prior findings. As

to any current-year recommendations, suggestions, and/or comments, we will afford you the opportunity to respond to such matters and include your response in management's corrective action plan.

Engagement Completion At the completion of our engagement, we will send the District ___ copies of our reports. In addition, we will send a copy of our reports to each board member, to the chief executive officer, and the chief fiscal officer. We will send the report, including the management letter, if applicable, and management's plan of corrective action, if applicable, to the Legislative Auditor. Either the accountant or the District shall send a copy of the report, any management letter, and management's corrective action plan, if applicable, each federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and any state cognizant agency, if applicable.

If we find events subsequent to the issuance of our reports that would cause us to reissue the reports, we shall reissue the reports in the same fashion and to the same individuals and organizations as the original reports.

Changes The Legislative Auditor will be notified immediately in writing of the accountant's decision to withdraw from the engagement or if the engagement is cancelled, to include all substantive reasons for the withdrawal or cancellation.

The Legislative Auditor will be notified immediately, in writing, if there are any significant disagreements. The Legislative Auditor will be notified immediately, in writing, if there are any changes in this agreement or if there are any restrictions placed on our staff during the engagement, to include failure to provide the appropriate books and records in a timely manner or denial of access to appropriate books and records, that would impact the scope of the engagement or the nature of the tests required under the previously discussed standards.

Compensation Our fees for all services are related to our standard hourly rates in effect at the time services are performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagement. Our fee for this engagement, which we estimate, will not exceed \$____, including out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and the District. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

If a multi-year engagement is entered into, all outstanding invoices for work performed during any prior engagement will be paid in full before work commences on the current engagement.

Engagement Documentation It is understood that our engagement documentation is confidential information. However, we will make our engagement documentation available to the Legislative Auditor, any successor auditor, or any organization of the Louisiana Board of Certified Public Accountants authorized to perform quality assurance reviews. We will follow the Legislative Auditor's policy regarding confidentiality of audit/engagement documentation found at Section 350.02 of the *Louisiana Governmental Audit Guide* when giving access to engagement documentation to any parties other than those previously named individuals and organizations.

Should we become aware of any illegal acts, we shall make our engagement documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. We will retain the engagement documentation for five years.

Personnel We have assigned Mr./Ms. _____ of our staff (address and phone number,) as the manager for the engagement, and he/she shall exercise overall control and management of our engagement. It is our understanding that you have assigned Mr. John Supervisor of your staff (address and phone number) as your representative during the engagement.

External Quality Review Enclosed is our last external quality review, dated (date).

Other Services You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We may also issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Approval We appreciate the opportunity to be of service to you, and believe this letter accurately summarizes the significant terms of our engagement. If these comments and arrangements meet with your approval, please sign below and return the agreement to us.

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our work. Upon your signature and approval, we will seek approval of the Legislative Auditor of this engagement.

We look forward to a pleasant association and the opportunity to provide the services included in this engagement. If you have any questions, please let us know.

Respectfully,

Certified Public Accountants

By _____

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of (Any Parish Drainage District)

By _____

Title _____

Date _____