**Engagement Letter Template**

**Agreed-Upon Procedures: PPP Loan Forgiveness Calculations[[1]](#footnote-1)**

[**NOTE:** SSAE 19 is effective for agreed-upon procedures reports dated after July 14, 2021. Early implementation is permitted. When the borrower (Engaging Party) is not the only user of the report, the engagement letter should also be addressed to the other report user(s) (e.g., the Lender).]

<Date>

<Borrower Representative>

<Borrower>

<Borrower Address>

<***If applicable:*** <Other Specified User(s)>

<Other Specified User(s) Address(es)>>

Re: Agreed-Upon Procedures — PPP Loan Forgiveness

Dear <Borrower Representative>:

We are pleased to confirm our understanding of the procedures you have asked our firm to perform. Please read this letter carefully because it is important that all parties understand and accept the terms under which we have agreed to perform our services as well as Management’s <and <Lender>’s> responsibilities under this agreement.

**Nature of the Engagement[[2]](#footnote-2), [[3]](#footnote-3)**

<Borrower> received a loan under the Paycheck Protection Program (“PPP” or “Program”) through the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) that is administered by the U.S. Small Business Administration (“SBA”). The objective of our engagement is to apply certain agreed-upon procedures to the supporting documentation provided by <Borrower> to <Lender> to substantiate <Borrower>’s expenses from <<Date> to <Date>> (the “supporting documentation”), issue a report to <Borrower> <and specify other parties> detailing the procedures applied and our findings without providing an opinion or conclusion, and to communicate further as required by professional standards or as we deem appropriate. You agree to the procedures enumerated below and acknowledge that the procedures to be performed are sufficient and appropriate for the intended purpose of determining the amount of your PPP loan to be forgiven in accordance with Section 1106 of the CARES Act, as modified by the Paycheck Protection Flexibility Act, and <no other party/<Lender>> will be asked to acknowledge that the procedures performed are sufficient and appropriate for its purposes. Our report is intended solely for the information and use of <Borrower> <and <Lender>> and is not intended to be, and should not be, used by anyone other than the specified <party/parties>.[[4]](#footnote-4)

**By your signature below, you understand and agree that Management is responsible for the preparation and submission of the SBA’s PPP Loan Forgiveness Application (Form 3508 or Form 3508EZ) and for the accuracy and completeness of all certifications that may be required by the SBA. Our firm will not be responsible for the SBA’s ultimate forgiveness decision, or any loan funds the SBA deems ineligible for forgiveness. There is no guarantee that the SBA will grant your application for loan forgiveness. As such, by your signature below you understand and agree that we assume no liability for any subsequent pronouncements by the SBA or your lender or the SBA’s ultimate decisions regarding the forgiveness of your PPP loan.**

**Our firm does not act as an “agent” for purposes of this Program, nor will our firm accept responsibility for or sign documents as an “authorized representative” of your company. By your signature below, you understand and agree that Management is responsible for the accuracy, completeness and timeliness of all certifications and information required by your lender and the SBA as part of the loan forgiveness process.**

**Our Services[[5]](#footnote-5)**

We will apply the agreed-upon procedures listed below solely to assist you <***if applicable:*** and <Lender>> with respect to determining the amount of your PPP loan to be forgiven in accordance with the terms of the CARES Act, as modified by the Paycheck Protection Flexibility Act. Our engagement to apply agreed-upon procedures will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. You agree that procedures detailed below are appropriate and sufficient for the intended purpose of determining the amount of your PPP loan forgiveness, and we will require written acknowledgment of that responsibility. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report or will withdraw without issuing a report as a result of this engagement.

Our engagement is designed to perform the following procedures agreed to by you <***if applicable:*** and <Lender>>:[[6]](#footnote-6)

<Insert the specified procedures, which should be tailored to each specific engagement. Example procedures may include, but are not limited to, the following:

1. Agree the CARES Act Section 1102 loan amount on the loan application submitted to <Lender> to a corresponding bank deposit and to a general ledger (G/L) cash account.
2. For the <24-week covered period (168 days following loan disbursement date) or 8-week covered period (56 days following loan disbursement date)>,[[7]](#footnote-7) recalculate the eligible loan forgiveness amount in accordance with CARES Act Section 1106(b) as revised by the Paycheck Protection Flexibility Act. Perform the following procedures on amounts used to calculate eligible loan forgiveness.
3. Total payroll costs paid and payroll costs incurred (payroll costs calculated in accordance with CARES Act Section 1102, as modified by the Paycheck Flexibility Act — counting payroll costs that were both paid and incurred only once).
   1. Agree/reconcile to corresponding payroll reports and G/L accounts
   2. Agree/reconcile to corresponding IRS payroll tax filings
   3. Agree/reconcile to corresponding state income, payroll and unemployment insurance filings
4. Total interest paid or incurred for covered business mortgage obligations.
   1. Agree to cancelled checks, payment receipts, transcripts of accounts or other documents verifying payments
5. Total rent or lease payments paid or incurred for covered business rent or lease obligations.
   1. Agree to cancelled checks, payment receipts, transcripts of accounts or other documents verifying payments
6. Total expenditures for covered utility payments.
7. Agree to cancelled checks, payment receipts, transcripts of accounts or other documents verifying payments
8. Recalculate the limit on the amount of loan forgiveness due to a reduction in the number of employees in accordance with CARES Act Section 1106(d)(2), as modified by the Paycheck Flexibility Act. Perform the following procedures on amounts used to calculate the loan forgiveness limit.
9. Agree/reconcile the average number of full-time employees (FTEs) per month employed during the covered period (<168 or 56> days following the loan disbursement date) to corresponding payroll reports.
10. Agree/reconcile the average number of FTEs per month employed during the period beginning February 15, 2019 and ending on June 30, 2019 to corresponding payroll reports;

Or

Agree/reconcile the average number of FTEs per month employed during the period beginning January 1, 2020 and ending February 29, 2020 to corresponding payroll reports;

Or

Agree/reconcile (for seasonal employer) the average number of FTEs per month employed during the period beginning on February 15, 2019 and ending on June 30, 2019 to corresponding payroll reports.

1. Recalculate the limit on the amount of loan forgiveness due to reduction in salary and wages during the covered period in accordance with CARES Act Section 1106(d)(3) – 1106(d)(5) for employees as defined in Section 1106(d)(3)(B), as modified by the Paycheck Flexibility Act.>

**Written Report[[8]](#footnote-8)**

At the end of our engagement, we expect to issue a report stating the procedures performed and our findings from performing those agreed-upon procedures. Our accountants’ report will include a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. **Our report will include an alert that restricts its use to you <*if applicable:* and <Lender>>.**

By your signature below, you acknowledge and understand that our engagement is limited in scope and will be confined to our agreed-upon procedures. Because these procedures do not constitute an examination or review, we will not express an opinion or conclusion on these procedures, nor the sufficiency or appropriateness of these procedures for your intended purpose.

Our engagement cannot be relied upon to disclose errors, irregularities, or noncompliance with laws and regulations, including fraud or defalcations that may exist. We will inform you of any material errors that come to our attention, however, and we will inform you, or the appropriate level of management, of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

As this engagement is not designed to be a fraud audit, you understand and accept the inherent limitations of the services described in this agreement.

<Name of Firm Representative> is the engagement partner for the services specified in this letter. <His/Her> responsibilities include supervising <Firm>’s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the report.

**Your Responsibilities[[9]](#footnote-9), [[10]](#footnote-10)**

You will provide us with the information required for our services and you are responsible for the accuracy and completeness of that information. This responsibility includes providing us with access to all records relevant to the subject matter and the agreed-upon procedures, and any information that we may request to perform the procedures you have agreed upon; as well as allowing us unrestricted access to individuals within the organization to whom we determine we require access.

By your signature below, you acknowledge and agree that the enumerated procedures to be performed are sufficient and appropriate for the intended purpose of determining the amount of your Paycheck Protection Program (PPP) loan to be forgiven in accordance with Section 1106 of the CARES Act, and agree to provide us with written representations acknowledging the sufficiency and appropriateness of the procedures for the intended purpose of the engagement, as well as informing us of all known matters suggesting otherwise, including any communications you have had with the lender, the SBA or other regulatory agencies regarding this loan, and any other representations we deem necessary.

Written representations required from you will also include the following:

* That the payroll costs considered in this agreed-upon procedures engagement include salary, wage, commission, or similar compensation; cash tips or equivalent; payment for vacation, parental, family, medical, and sick leave; allowance for dismissal or separation; payment required for group health care benefits, including insurance premiums; payment of any retirement benefit; or payment of State or local tax assessed on the compensation of employees; and the sum of any compensation to or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation is not more than $100,000 in one year, as prorated for the covered period.
* That the payroll costs considered in this agreed-upon procedures engagement exclude:
* compensation of an individual employee in excess of an annual salary of $100,000, as prorated for the covered period;
* taxes imposed or withheld under chapters 21, 22, or 24 of title 26 during the covered period;
* any compensation of an employee whose principal place of residence is outside of the U.S.;
* qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act; or
* qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act
* That mortgage obligations, utilities, rent and lease payments considered in this agreed-upon procedures engagement were incurred before February 15, 2020.

[***Add the following if CPA will perform nonattest services:*** In addition, you are responsible for all management decisions and functions. That responsibility includes designating qualified individuals with suitable skills, knowledge and/or experience to be responsible and accountable for overseeing the <specify nonattest services> we provide, as well as evaluating the adequacy and results of those services performed. You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.]

At the conclusion of our engagement, you agree to provide us with a management representation letter that will confirm your understanding of your responsibilities as defined in this letter, which includes your responsibility for selecting <describe subject matter>, and for determining that such agreed-upon procedures are sufficient and appropriate for your particular purpose.

We assume that unexpected circumstances will not be encountered. If significant additional time is necessary, we will discuss it with you prior to incurring additional costs.

**Other Matters**

We expect to begin our agreed-upon procedures engagement on approximately <date> and issue our report by <date>.

**In accordance with the terms and conditions of this agreement, <Borrower> shall be responsible for the accuracy and completeness of all data, information and representations provided to us for purposes of this engagement. Because of the importance of oral and written management representations to the effective performance of our services, <Borrower> releases and indemnifies our firm and its personnel from any and all claims, liabilities, costs and expenses attributable to any misrepresentation by management and its representatives.[[11]](#footnote-11), [[12]](#footnote-12)**

Our fees for this work will be at our regular hourly rates for the individuals involved plus direct out-of-pocket expenses. Payment for service is due when rendered, and interim billings may be submitted as work progresses and expenses are incurred. Billings become delinquent if not paid within <number> days of the invoice date. If billings are not paid within <number> days of the invoice date, at our election, we may stop all work until your account is brought current, or we may withdraw from this engagement. <Borrower> acknowledges and agrees that we are not required to continue work in the event of <Borrower>’s failure to pay on a timely basis for services rendered as required by this engagement letter. <Borrower> further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of <Borrower>’s failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services.

We will require a retainer of $<amount>, which will be applied to current billings as registered.

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. We take reasonable measures to secure your confidential information in our email transmissions. However, as emails can be intercepted and 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 and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery 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, such as loss of sales or anticipated profits, or disclosure or communication of confidential or proprietary information.

It is our policy to keep records related to this engagement for <number> years. However, <Firm Name> does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. It is your responsibility to retain and protect your records (which includes any work product we provide to you as well as any records that we return) for possible future use, including potential examination by any government or regulatory agencies. <Firm Name> does not accept responsibility for hosting client information; therefore, you have the sole responsibility for ensuring you retain and maintain in your possession all your financial and non-financial information, data and records.

By your signature below, you acknowledge and agree that upon the expiration of the <number>-year period, <Firm Name> shall be free to destroy our records related to this engagement.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the <Name of Association> under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

We <both> agree that any dispute over fees charged by us to you will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the <Name of Association>, except that under all circumstances the arbitrator must follow the laws of <Name of State>. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION. The prevailing party shall be entitled to an award of reasonable attorneys’ fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

We appreciate the opportunity to be of service to <Borrower> and believe this letter accurately summarizes the significant terms of our engagement. If the preceding is in accordance with your understanding, please sign the enclosed copy of this letter and return it to us with your retainer in the envelope provided.

We look forward to working with you on this engagement.

Very truly yours,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

<Accountant Name>

<Firm Name>

APPROVED AND AUTHORIZED:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

<Borrower Representative>

<Borrower>

[***If applicable:***

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

<Lender>

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

<Date>

1. Updated to incorporate the changes promulgated under the Paycheck Protection Flexibility Act signed into law on June 5, 2020. [↑](#footnote-ref-1)
2. SSAE 19 modified the nature of agreed-upon procedures engagements. Among the changes was the alteration of the base threshold for the procedures to be performed from *sufficient* to *appropriate*. CAMICO prefers the higher *sufficient* threshold and encourages practitioners to incorporate both thresholds in their engagement terms. As such, this engagement letter template refers to *appropriateness and sufficiency* under the specific terms and conditions of the services being rendered. [↑](#footnote-ref-2)
3. Refer to the AICPA’s Loan Forgiveness Services Matrix for guidance regarding the nature and scope of the services contemplated for assisting clients with PPP loan forgiveness. This AUP engagement letter should be tailored as appropriate for the specific agreed upon services to be performed.

   <https://www.aicpa.org/content/dam/aicpa/interestareas/privatecompaniespracticesection/downloadabledocuments/coronavirus-ppp-loan-forgiveness-services-matrix.pdf> [↑](#footnote-ref-3)
4. SSAE 19 modified the nature of agreed-upon procedures engagements. Among the changes was to no longer require agreed-upon procedures reports to be restricted to those parties who have agreed to the sufficiency of the procedures for their intended purpose. However, SSAE 19 permits practitioners to restrict distribution/use of their report. CAMICO has developed this engagement letter incorporating language consciously intended to restrict the use of the report and its findings to the parties specified in the agreement. [↑](#footnote-ref-4)
5. SSAE 19 modified the nature of agreed-upon procedures engagements. Among the changes was the alteration of the base threshold for the procedures to be performed from *sufficient* to *appropriate*. CAMICO prefers the higher *sufficient* threshold and encourages practitioners to incorporate both thresholds in their engagement terms. As such, this engagement letter template refers to *appropriateness and sufficiency* under the specific terms and conditions of the services being rendered. [↑](#footnote-ref-5)
6. The procedures noted in this template are for reference purposes only. You will need to tailor these procedures as appropriate for the specific terms of your engagement. [↑](#footnote-ref-6)
7. A PPP borrower that received loan proceeds prior to the date of the Paycheck Protection Flexibility Act (June 5, 2020) may elect to use the 56-day period originally stipulated under the CARES Act. This letter should be modified as appropriate if the client elects to use the 56-day covered period. [↑](#footnote-ref-7)
8. SSAE 19 modified the nature of agreed-upon procedures engagements. Among the changes was the alteration of the base threshold for the procedures to be performed from *sufficient* to *appropriate*. CAMICO prefers the higher *sufficient* threshold and encourages practitioners to incorporate both thresholds in their engagement terms. As such, this engagement letter template refers to *appropriateness and sufficiency* under the specific terms and conditions of the services being rendered. [↑](#footnote-ref-8)
9. This section assumes that the client is the responsible party. [↑](#footnote-ref-9)
10. SSAE 19 modified the nature of agreed-upon procedures engagements. Among the changes was the alteration of the base threshold for the procedures to be performed from *sufficient* to *appropriate*. CAMICO prefers the higher *sufficient* threshold and encourages practitioners to incorporate both thresholds in their engagement terms. As such, this engagement letter template refers to *appropriateness and sufficiency* under the specific terms and conditions of the services being rendered. [↑](#footnote-ref-10)
11. This clause would be inappropriate if the engagement party is NOT the responsible party because the responsible party would generally be the party responsible for the data, information, and representations. If the engagement party is NOT the responsible party, this clause should be modified accordingly. [↑](#footnote-ref-11)
12. ET §191.188 of the AICPA’s Code of Conduct states that language indicating that the client would release, indemnify, defend, and hold the [accountant] (and his or her partners, heirs, executors, personal representatives, successors, and assigns) harmless from any liability and costs resulting from *knowing misrepresentations by management would not impair independence*. [*Emphasis added*]. The Code offers no guidance for misrepresentations other than “knowing misrepresentations.” Use your professional judgment and reference the Code’s Conceptual Framework for Independence interpretation [ET 1.200.001] when evaluating independence matters not explicitly addressed by the “Independence Rule” and its interpretations. CAMICO encourages you to review this language with your risk advisor or legal counsel, as appropriate, for possible modification before choosing to use the language in your engagement letters. Also, be aware that the SEC forbids the use of indemnity clauses in public companies’ engagement letters. [↑](#footnote-ref-12)