

Engagement Letters: More Communication, Less Liability

Introduction

- Why Accountants Should Lose Sleep At Night

Communicate Better: Clients

- Importance of better communications
- Impediments to communication: fear of confrontation
- Communication Habits
 - Active Listening
 - CYA Correspondence
- Consider the audience
- Drafting opportunities: Key Drafting Opportunities
 - Scope of work
 - Willingness to do more for a fee
 - Client responsibilities
 - Client indemnity clause
 - Willingness To Modify Engagement Letter
 - Fiduciary Disclaimer Clause
 - Economic Loss Rule
 - Integration Clause
 - Limitation Of Liability Clause
 - Third-party Liability Clause
 - Dispute Resolution Clause

Communicate Better: Third Parties

- Buyers of a business
- Third party lenders
- Drafting opportunities
 - Known users
 - ❖ require third party agreement
 - ❖ describe auditor judgment
 - ❖ describe lender responsibility
 - ❖ describe management responsibilities
 - ❖ secure lender's guaranty of managements obligations
 - ❖ dispute resolution clause
 - Unknown users
 - ❖ language tying user to engagement letter
 - ❖ language requiring accountant consent
 - ❖ language explaining materiality