

SAMPLE COMPILATION ENGAGEMENT LETTER

(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 compile (Any Drainage District's) financial statements as of June 30, 20X1, and for the year then ended. This letter will confirm our understanding of the terms and objectives of our engagement and the nature and limitation of the services we will provide to the (Any Parish Drainage District) as of and for the year ended June 30, 20X1.

Compilation We will compile, from information you provide, the annual basic financial statements for the Any Parish Drainage District as of and for the year ended June 30, 20X1, as required by Louisiana Revised Statute 24:513, and will issue an accountant's report thereon in accordance with *Statements on Standards for Accounting and Review Services* (SSARs) issued by the American Institute of Certified Public Accountants (AICPA).

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We will not audit or review the compiled financial statements and, accordingly, will not express an opinion or any other form of assurance on them.

If management elects to omit substantially all disclosures from the financial statements, we will include in our compilation report an additional paragraph that will read as follows:

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

If we are not independent, we will include the following as the last paragraph of our report:

We are not independent with respect to (Any Parish Drainage District).

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

Objectives and Limitations The objective of our engagement is to compile the district's 20X1 basic financial statements. We will utilize information that is your representation 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 the statements to be in conformity with general accepted accounting principles (GAAP).

You are responsible for:

- The preparation and fair presentation of the financial statements in accordance with GAAP.
- Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.
- Preventing and detecting fraud.
- Identifying and ensuring that the entity complies with all applicable laws and regulations.
- Making all financial records and related information available to us.

You are also responsible for all management decisions and functions, and for designating an individual with suitable skill, knowledge, or experience to oversee the services we are to provide. You are

responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

We are responsible for conducting the engagement in accordance with SSARs issued by the AICPA.

A compilation differs significantly from a review or an audit of the financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures normally performed in an audit. Accordingly, we will not express an opinion or provide any assurance regarding the financial statements being compiled.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. 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 compilation procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts 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 in your internal control as part of this engagement.

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*.
- Office of Management and Budget Circular A-133 audit requirements for a single audit or program-specific audit when federal award expenditures equal or exceed \$500,000 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;
- 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 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 (Any Parish Drainage 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, to each member of the governing board, 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 (Any Parish Drainage 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 _____