**SAMPLE ENGAGEMENT LETTER**

**AUP EXPENSES UNDER CC RI 19-14**

Date

ABC Company */ (Mr. John Smith*)

San Juan, Puerto Rico

We are pleased to confirm our understanding of the terms of our engagement and the nature and limitations of the services we are to provide to ABC Company / (*Mr. John Smith*).

You will agree to the procedures described below and will acknowledge that the procedures to be performed are appropriate for the intended purpose of the engagement, which is to comply with the requirements of the Puerto Rico Internal Revenue Code Sections 1021.02 and 1022.04, and Circular Letter of Internal Revenue No. 19-14 (CL 19-14) to accompany the income tax return for the period ended (date). Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain your written agreement to the procedures to be applied and your acknowledgment that those procedures are appropriate for the intended purpose of the engagement, as described in this letter. The agreement and acknowledgment are contained in this letter. A refusal to provide such agreement and acknowledgment will result in our withdrawal from the engagement. We make no representation that the procedures we will perform are appropriate for the intended purpose of the engagement or for any other purpose.

Because the agreed-upon procedures do not constitute an examination or review, we will not express an opinion or conclusion on the Schedule C-Schedule of Expenses Allowed as a Deduction on the Income Tax Return for ABT or AMT Subject to the Agreed Upon Procedures (the Schedule). In addition, we have no obligation to perform any procedures beyond those to which you agree.

The agreed-upon procedures are as follows:

1. Obtain a draft of the tax return of ABC Company / (*Mr. Smith*) for the year ended \_\_\_\_\_20XX.
2. Compare the amounts included in the Schedule to the trial balance for the corresponding accounting period or to a detail of items comprising the amount claimed and found them to agree.
3. Compute materiality level in accordance with the criteria established by CL 19-14.
4. Compute a representative sample using sampling parameters in accordance with the criteria established by CL 19-14.
5. Allocate the sample size determined in step 4 to the expense categories in the Schedule in accordance with the methodology established in CL 19-14.
6. Obtain for each sample selected in step 5, supporting documentation (e.g. contracts, invoices, purchase orders, receiving report, cancelled checks if paid before the issuance of this report, and other evidence necessary to validate that the expense was incurred) as provided in CL 19-14 for the applicable expense category, and to ascertain that the expense is reasonably related to the operations of the taxpayer (e.g. invoice or receipt is addressed to the taxpayer)
7. Compare the amount of the item selected in step 5 to the supporting documentation obtained in step 6 and found to agree.
8. Compare the description on the supporting documentation with the expense category on the income tax return and found them to agree.

We plan to begin our procedures on approximately (date) and, unless unforeseeable problems are encountered, the engagement should be completed by (date).

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addresses to ABC Company / (John Smith). If we encounter restrictions in performing our procedures, we will discuss the matter with you. If we determine the restrictions are appropriate, we will disclose the restrictions in our report. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

There may exist circumstances that, in our professional judgment, will require we withdraw from the engagement. Such circumstances include the following:

* You refuse to provide written agreement to the procedures and acknowledge that they are appropriate for the intended purpose of the engagement.
* You fail to provide requested written representations, or we conclude that there are sufficient doubts about the competence, integrity, ethical values, or diligence of those providing the written representations, or we conclude that the written representations provided are otherwise not reliable.
* We determine that the description of the procedures performed, or the corresponding findings are misleading in the circumstances of the engagement.
* We determine that restrictions on the performance of procedures are not appropriate.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, should any such matters come to our attention, we will communicate them in accordance with professional standards and applicable law. In addition, if, in connection with this engagement, matters come to our attention that contradicts the information included in the Schedule, we will communicate those matters to you.

You agree to the procedures to be performed and acknowledge that they are appropriate for the intended purpose of the engagement.

You are responsible for the Schedule. In addition, you are responsible for providing us with (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedures on the subject matter, (2) additional information that we may request from the appropriate party for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing those procedures.

At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from management (*you*) that, among other things, will confirm management’s (*your*) responsibility for the Schedule in accordance with procedures enumerated before.

CPA (name) is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing individual to sign it.

We estimate that our fees for these services will be $\_\_\_\_\_\_\_\_\_. You will also be billed for travel and other out-of-pocket expenses such as report production, postage, etc. The fee estimate is based on anticipated cooperation from your personnel (*you*) 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. Our invoices for these services will be rendered as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes (days) overdue and will not resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy, and return it to us. If the need for additional procedures arises, or the procedures need to be modified, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will consider whether they need to acknowledge in writing their agreement with the procedures performed or to be performed and their acknowledgment that the procedures are appropriate for their purposes.

Very truly yours,