Procuring a Fee Accountant

Many local governments are small and don’t have enough transactions to merit hiring full time or trained accounting staff. As entities grow, apply for grants, and/or seek additional assurance that financial information is accurate, a fee or contract accountant is a viable option.  Fee accountants may be hired to reconcile accounts, fill out forms, transmit reports to regulatory agencies, or even help prepare the budget. If there is a function that the entity’s governing body or staff is unable to adequately perform (time constraints, training, etc.), the entity may choose to use a fee accountant.  The purpose of this document is to provide guidance for hiring a fee accountant.

* **Assess the need** – Determine why you want a fee accountant.  Do you require additional assistance to review transactions, help with bank reconciliations, file reports, perform an internal audit function, or complete another responsibility?
* **Determine the timeframe** – If your entity is small, once per year may be all that is required.
* **Solicit an Accountant** – Most governmental entities have a purchasing policy that stipulates a threshold where a formal request for proposal or bid process is required.  If your entity purchasing policy allows for the use of state cooperative contracts, see the Approved Vendor list at [resources.auditor.utah.gov](https://resources.auditor.utah.gov/s/) for accounting firms that maintain existing state contracts.  Consider calling references from other governmental clients of the proposed fee accountant.
* **Select the Accountant** – When selecting a fee accountant, consider: timeliness and quality of service, location/accessibility of the accountant, and the pricing/fee arrangement.
* **Establish Clear Expectations** – Clear expectations are essential when developing professional relationships and engagements. The following should be considered and placed into a written agreement or contract:
	+ Deliverables – What is the fee accountant going to provide? For example: completed bank reconciliations, financial reports, submit reports to regulators, preparation for the annual audit, etc.
	+ Resources – What will the entity provide for the accountant?  Small entities may deposit all revenue in and pay all expenses out of the same bank account and provide the accountant with the account history which will be used to generate financial statements. Other entities may use an excel spreadsheet or an accounting system such as QuickBooks, Pelorus, Caselle, or Tyler. The accountant must be provided with all the appropriate resources, including access to staff, to enable the accountant to perform the contracted function.
* **Follow up/Communication** - Good feedback is important for any professional relationship; inform the fee accountant if he or she is falling short of your expectations and work together to resolve any issues.

The following page is a sample Engagement letter for a fee accountant:

Appendix A

Sample Engagement Letter for a Fee Accountant

[Entity Letterhead]

[Date]

[Accountant Name]

[Firm/Company Name, if applicable]

[Accountant Address]

[Accountant Address Continued]

Dear [Accountant Name]:

We look forward to our relationship and the expertise you will bring to [Entity Name].  This letter is to confirm our mutual understanding of the terms and objectives of our engagement, along with the nature and limitations of the services you will provide.

[Entity Name] management is responsible for the fair presentation of the financial statements, as well as designing, implementing, and maintaining internal controls with respect to financial reporting, preventing and detecting fraud, and identifying and ensuring that the entity complies with applicable laws and regulations. You will assist [Entity Name] by providing skill, knowledge, and experience, while performing the following services to [Entity Name] at the agreed-upon fee of [Hourly rate or flat fee, depending on pay arrangement—if an hourly rate is used consider using a “not-to-exceed” amount.

* Bank Reconciliations, [Monthly by the 15th of each month]
* Preparation of Financial Statements [Monthly, Quarterly, Annually by {date}]
* Preparing and Submitting Annual reports to the Office of the State Auditor [Budget, Financial Report, Financial Certification, Self-Evaluation Form, Agreed-Upon Procedures Report, Impact Fee Report, Fraud Risk Assessment, etc. by {date}]
* Internal Audit Services
* Preparing for the Annual Audit including gathering supporting information and proposing adjusting journal entries required by GAAP

You will be provided with access to the [accounting system, bank statements, and {entity} staff].  Your main point of contact will be [Entity contact person and contact information. {If multiple individuals desire to be informed of progress enter their information here}].

Information provided to you and the resulting documents, combining schedules, financial statements, etc. are the property of [Entity Name] and must be made available to our external auditors or regulatory agencies in a timely manner if you are directed to do so by the [governing body].

If at any point in time you are not able to complete the agreed-upon services, you are required to communicate that to the governing body in writing so that other arrangements can be made to ensure [Entity Name] maintains strong internal controls and can fulfil its reporting requirements in a timely manner.  This agreement will remain in effect until written notice is provided by one of the parties.

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         Accountant

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

         Signature

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date

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

 [Entity Representative]

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

          Signature

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

 Date