

## Attachment 4-E Example Engagement Letter (Projects with 16-23 Units)

Date, Year

*Name*

**COMPANY NAME**

*Address*

**City, State Zip**

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for each Rural Development Apartment Community (“Project”) owned by the entities detailed in Exhibit B.

We will apply the agreed-upon-procedures which you and United States Department of Agriculture Rural Development personnel have specified as listed in the attached Exhibit A, to information included in Forms RD 3560-7 and 3560-10. These engagements are solely to assist the Owners and Rural Development in evaluating that Forms RD 3560-7 and 3560-10 are prepared in accordance with the criteria specified in 7 CFR Part 3560, Section 303(b) and Section 306 in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ending **DATE, YEAR.**

Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures for a particular project(s), we will describe any restrictions on the performance of the procedures in our respective report, or will not issue a report as a result of this specific engagement.

Because the agreed-upon procedures listed in Exhibit A do not constitute an examination, we will not express an opinion on Forms RD 3560-10 and 3560-7. In addition, we have no obligation to perform any procedures beyond those listed in Exhibit A.

We will submit our report for each of the projects in Exhibit B listing the procedures performed and our findings. The report is intended solely for the use of the project’s owners, the management agent and Rural Development, and should not be used by anyone other than these specified parties, and take responsibility for the sufficiency of the procedures for their purposes. 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.

At the conclusion of each engagement, we will require a representation letter from the owner and or management of each specific Project that, among other things, will confirm management's responsibility for the presentation of Forms RD 3560-7 and 3560-10 in accordance with the criteria specified in 7 CFR part 3560 Section 303(b) and 7 CFR part 3560 Section 306, in accordance with the determinations noted in Attachment 4-D of the RD Handbook HB-2-3560, for the year ending **DATE**, **YEAR** and management's responsibility for compliance with the requirements of 7 CFR part 3560 Sections 308(a), 308(b) and 308(c).

As part of our engagement, we will also prepare federal and state income tax returns for the entities listed in the attached Exhibit B for the year ended **DATE**, **YEAR**. You are responsible for the decisions and functions of your property, and for designating a competent employee to oversee these services. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results. You are also responsible for establishing and maintaining internal controls, including monitoring ongoing activities. You should be aware that, under the Internal Revenue Service Restructuring and Reform Act of 1998, certain information discussed by you with members of our firm who are authorized tax practitioners or their agents for the purpose of obtaining our firm's advice on tax matters is privileged from disclosure in any non-criminal tax matters before the IRS. Information compiled for the purpose of preparing a tax return is not privileged under common law because it is intended for disclosure to the IRS or others. The privilege will be waived if the communication is voluntarily disclosed to a third party. Professional standards require us to discuss matters that may affect the engagement with our firm personnel responsible for non-attest services, which includes tax services. The IRS might not take the position that such communication results in a waiver of privilege.

During the course of our engagements, we shall request information and explanations from the owner and/or management regarding the respective entity's operations, internal controls, compliance matters, future plans, specific transactions, and accounting system and procedures. We understand that your employees will prepare all cash, vendor, accounts payable and other confirmations we request and will work with our staff to locate any documents selected by us for testing. We will request written confirmation from financial institutions as part of each engagement, and they may bill you for responding to that inquiry. At the conclusion of each engagement, we will require, as a precondition to the issuance of our report, that management reconfirm this information in a written representation letter. The procedures which we will perform in our engagements will be heavily influenced by the representations that we receive from you and/or management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or a fraud to go undetected by our procedures. You acknowledge that as a condition of our agreement to perform the engagements, you and all members of your management, agree to the best of your knowledge and belief to be truthful, accurate, and complete in the representations you make to us during the course of the engagements and in the written representations provided to us at the completion of the engagements. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the agreed-upon procedures report as a result of false or misleading representations that are made to us by you or your management. In addition, because our failure to detect material misstatements could cause others relying upon our report to incur damages, you and management further agree to indemnify and hold us harmless for any liability and all reasonable costs (including legal fees) that we may incur in connection with claims based upon our failure to detect material misstatements in the respective entity's agreed-upon procedures report resulting from false or misleading representations made to us by you or any member of your management.

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Management is responsible for evaluating adequacy and results of those procedures and accepting responsibility for such procedures. Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities. Management is responsible for management decisions and functions, and for designating a qualified management-level employee to oversee our performance of the non-attest services. As part of our engagements:

We will not perform any management functions or make management decisions.

We will assist you and/or management in the calculation of depreciation expense and maintenance of fixed asset and depreciation records, however, you and/or management shall be responsible for determining the depreciation method, rate and life of each class of assets and determining salvage value, if any. You and/or management shall be solely responsible for the completeness and accuracy of the related fixed asset and depreciation schedules.

We will prepare a general ledger trial balance for use during each engagement. Our preparation of the trial balance will be limited to formatting information in the respective entity's general ledger into a working trial balance.

The documentation for these engagements is the property of **CPA FIRM NAME** and constitutes confidential information. However, we may be requested to make certain documentation available to the United States of America acting through Rural Development, the Office of Inspector General (OIG) and the Government Accountability Office (GAO) or their representatives, pursuant to authority given to them by law or regulation. We will notify you of any such request. If requested, access to such documentation will be provided under the supervision of **CPA FIRM NAME** personnel. Furthermore, upon request, we may provide copies of selected documentation to Rural Development, OIG or GAO representatives. Rural Development, OIG and GAO may decide to distribute the copies or information contained therein to others, including other governmental agencies. We may also be requested to make certain documentation available to the investment partner(s)/member(s) or their representatives pursuant to authority given to them by the Partnership/Operating Agreement. Access to such documentation will be provided under the supervision of **CPA FIRM NAME**. Furthermore, upon request, we may provide photocopies of selected documentation to the investment partner(s)/member(s) or their representatives and they may decide to distribute the photocopies or information contained therein to others, including governmental agencies.

You may request that we perform additional 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 fee. We also may 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.

Our fees for these services are based upon the actual time spent at our standard hourly rates, travel, and other out-of-pocket costs such as report production, word processing, postage, etc. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagements. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagements. 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 each engagement will be rendered as work progresses and is payable on presentation.

Based on our preliminary estimate, the fees for the engagements will be as detailed in Exhibit B. In accordance with our firm policies, work may be suspended if your account becomes **XX** days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, each 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. The suspension or termination of our work may result in adverse consequences to you including the failure to meet deadlines imposed by governments, lenders, or other third parties. You agree that we will not be responsible for your failure to meet such deadlines, or for penalties or interest that may be assessed against you resulting from such failure.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment. Our peer review report accompanies this letter.

We appreciate the privilege and opportunity to work with you and your staff during the completion of this important engagement. If the engagement letter terms are acceptable and in accordance with your understanding of our engagement, please sign the attached agreement and return it to us. Please retain the original letter and the client copy of the agreement page for your files. If you have any questions or comments regarding the terms of this engagement letter, please do not hesitate to contact us.

Very truly yours,

***CPA FIRM NAME***

Certified Public Accountants

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**EXHIBIT A**  
**Schedule of Agreed-Upon Procedures:**

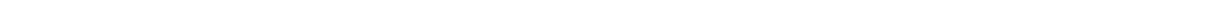
- 1.) Examine selected receipts, invoices, cancelled checks, (or check imaging on original bank statement) etc. that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the ongoing operations of the project.
- 2.) Confirm the balance in the replacement reserve account presented on Form RD 3560-7, Part III and confirm that no amounts were encumbered by the financial institution that holds the accounts. Determine that all balances are within the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) insurance limits, as applicable. Determine that the total withdrawals from the bank statements agree to the total withdrawals authorized by Rural Development on Form RD 3560-12. Compare the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals.
- 3.) Obtain an Identity of Interest (IOI) company listing and Form RD 3560-31 from Rural Development and determine that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project.

**EXHIBIT B**

**Entity and Fee Schedule  
Year Ended *DATE, YEAR***

ENTITY NAME

CONTRACT



**CPA FIRM NAME SERVICE AGREEMENT**

**Agreement to report on Rural Development Agreed-Upon Procedures and to prepare Federal, State & Local tax reporting forms on each of the Rural Rental Housing Apartment Communities for the entities listed in the attached Exhibit B managed by *COMPANY NAME* as outlined in the *CPA FIRM NAME* engagement letter dated *Date, Year*.**

To accept the Schedule of fees in Exhibit B and the terms as stated in the attached engagement letter:

- Sign below,
- Return this page to us,
- Retain the original engagement letter and a copy of this letter for your files.

By: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name, Printed)

\_\_\_\_\_  
(Title)

**Client Copy**

**CPA FIRM NAME SERVICE AGREEMENT**

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By: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name, Printed)

\_\_\_\_\_  
(Title)

**Please Sign and Return This Page Along with the Attached Exhibit B**

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**Entity and Fee Schedule  
Year End DATE, YEAR**

ENTITY NAME

CONTRACT