

[Date]

[Client Name]

[Client Address]

[City, State, Zip Code]

Re: Payroll Audit and Regulatory Compliance Engagement

Dear [Client Contact Name],

This letter confirms the terms and objectives of our engagement to provide payroll audit and regulatory compliance services for [Company Name] (the "Company") for the period of [Start Date] to [End Date].

1. Scope of Services

We will perform the following procedures:

- Review of payroll processing records and tax filings (Forms 941, 940, W-2, etc.).
- Verification of employee classification (Exempt vs. Non-Exempt and Employee vs. Independent Contractor).
- Assessment of compliance with Federal and State wage and hour laws.
- Evaluation of statutory withholdings and employer-paid benefit contributions.
- Review of internal controls related to the payroll cycle.

2. Objective

The objective of this engagement is to identify potential areas of non-compliance with regulatory requirements and to provide recommendations for internal control improvements. This engagement does not constitute a financial statement audit or a legal opinion.

3. Company Responsibilities

The Company is responsible for:

- Providing full access to all relevant payroll records, personnel files, and financial data.
- The accuracy and completeness of the information provided to us.
- Maintaining an effective system of internal controls over payroll.
- Final decisions regarding the implementation of any recommendations provided.

4. Fees

Our fees for these services will be [Amount/Hourly Rate], plus out-of-pocket expenses. Invoices are due and payable [Number] days from the invoice date.

5. Confidentiality

All information obtained during this engagement will be kept strictly confidential and will not be disclosed to third parties without your prior written consent, except as required by law.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our services.

Sincerely,

[Your Name/Firm Name]

[Your Title]

Acknowledged and Agreed:

[Client Representative Signature]

[Date]