



— TEMPLATE —

Audit Engagement Letter Review Checklist

Financial Oversight

DOCUMENT	Template
CATEGORY	Financial Oversight
EDITION	2026
ISSUER	Common Interest Community Standards Council

TEMPLATE

Audit Engagement Letter Review Checklist

SECTION 01

SCOPE OF THE ENGAGEMENT

- Identify the engagement type. Is it: () Audit -- highest level, opinion issued () Review -- limited assurance, no opinion () Compilation -- no assurance () Agreed-upon procedures -- specific tests only
- Confirm the engagement type matches what the board approved. Compilations and reviews are NOT audits and do not produce an audit opinion. Confirm with the manager and the auditor which product the board contracted for.
- The engagement covers the correct fiscal year (and any comparative prior year).
- The engagement specifies the basis of accounting -- GAAP (FASB ASC 958), modified cash, income tax basis. Most CIRA audits are GAAP.
- The engagement covers ALL funds (operating and reserve), not just operating.
- The engagement covers any wholly-owned subsidiary or related entity, if applicable.
- The engagement specifies that the audit will be conducted in accordance with generally accepted auditing standards (GAAS) as established by the AICPA.
- The engagement references the AICPA Audit and Accounting Guide for Common Interest Realty Associations.

SECTION 02

DELIVERABLES

Confirm the engagement letter promises

- Auditor's report (opinion letter)
- Audited financial statements:
 - Statement of financial position (balance sheet)
 - Statement of activities (income statement)
 - Statement of cash flows
 - Statement of changes in net assets
 - Notes to the financial statements (footnotes)
- Required Supplementary Information on Future Major Repairs and Replacements (the reserve disclosure schedule required for CIRAs)
- Communication with those charged with governance -- management letter or governance communication on internal control matters

- Required communications under SAS 134 / successor SAS on auditor reporting (key audit matters, significant findings, adjustments)
- Number of bound copies and electronic delivery format
- Tax return preparation -- is this part of the engagement, or a separate scope?

SECTION 03

TIMING

- Fieldwork start date specified
- Fieldwork end date specified
- Draft delivery date (allows board review before final)
- Final delivery date
- If statutory deadline applies (e.g., Florida condominiums have specific timing for distribution of audited statements to owners), the engagement schedule supports compliance

SECTION 04

FEE AND PAYMENT

- Total fee is stated as a fixed amount OR a not-to-exceed amount
- Hourly rates are disclosed if any work is hourly
- Out-of-pocket expenses (travel, postage, printing) are capped or specified
- Additional services (extra trips, scope expansion, year-end cleanup work) are disclosed with rate
- Payment schedule is reasonable -- typically progress payments tied to milestones, not 100% upfront
- Fee for prior-year carry-forward work, if any, is disclosed separately
- Compare fee against:
 - Prior-year fee from same auditor
 - At least one alternative quote (if competitive bid)

SECTION 05

AUDITOR INDEPENDENCE

- Engagement letter includes an independence representation from the auditor
- Auditor does NOT prepare the association's monthly books (or, if it does, the engagement explains how independence is preserved)
- Auditor does NOT have any other consulting relationship with the association that would impair independence
- Auditor confirms no immediate-family-member or financial relationship with the association or its board

- Auditor confirms no contingent-fee or commission-based compensation structure for the audit

SECTION 06

ALLOCATION OF RESPONSIBILITIES

The engagement letter should clearly state

- MANAGEMENT (the board / manager) is responsible for:
 - Preparing the financial statements
 - Maintaining internal controls
 - Providing all relevant records and access
 - Identifying laws and regulations applicable to the association
 - Signing the management representation letter at audit close
- AUDITOR is responsible for:
 - Expressing an opinion on the financial statements
 - Conducting the audit in accordance with GAAS
 - Communicating significant findings and internal control matters to those charged with governance
- The engagement is clear that the audit does NOT:
 - Constitute a guarantee that all errors will be found
 - Provide an assurance that fraud will be detected
 - Replace internal controls or management oversight

SECTION 07

PRIOR-YEAR CARRY-FORWARD ISSUES

- Prior-year management letter findings are referenced
- Prior-year adjusting journal entries are referenced if relevant
- Any prior-year disagreements with management are noted
- If this is the first year with this auditor, the engagement references the predecessor auditor's prior-year audit (required communication under AU-C 510)
- Prior-year reserve study has been provided to the auditor

SECTION 08

ACCESS, RECORDS, AND CONFIDENTIALITY

- Auditor working papers are property of the auditor
- Confidentiality clause is reasonable

- Subpoena response process is specified (auditor will notify association if records are subpoenaed)
- Records retention obligation is identified (auditor's retention; association's retention is separate)

SECTION 09

DISPUTE RESOLUTION

- Governing law specified
- Mediation / arbitration clause is reasonable and not a surprise
- Limitation of liability clause (if any) is reviewed -- excessive limitations may not be appropriate; have independent counsel review
- Indemnification clauses are bilateral and not one-sided

SECTION 10

BOARD-LEVEL APPROVAL

Before signing

- Engagement letter reviewed at a properly noticed board meeting
- Board vote recorded in minutes approving engagement
- Designated signer authorized by board resolution
- Copy of signed engagement retained in association records
- Engagement letter distributed to:
 - Treasurer
 - President
 - Manager
 - Audit committee (if any)

SECTION 11

Questions The Board Should Ask The Auditor

- 01 What was the basis for last year's opinion, and have prior- year findings been resolved?
- 02 What internal-control findings, if any, do you expect to surface this year?
- 03 How will reserve study disclosures be tested?
- 04 What is your independence representation, and have you identified any threats to independence?
- 05 Will you meet with the board (without management present) during the engagement?
- 06 What is your process for resolving disagreements with management?

07 If the audit identifies material issues, what is the escalation path?

SECTION 12

Red Flags That Warrant Independent Review

- Engagement letter contains a broad limitation of liability clause not previously negotiated
 - Fee is significantly below market and the engagement language suggests reduced scope
 - Auditor is the same firm that prepares the monthly books without a documented independence protocol
 - Engagement letter does not reference SAS 134 or the AICPA CIRA Guide
 - Engagement letter waives the management representation letter
 - Engagement is structured as a compilation but described to owners as an audit
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This template is an educational resource. The board should consult qualified accounting professionals and, where appropriate, counsel when reviewing audit engagement terms.