

[Date]

To: [Name of Management/Board of Directors]

[Company Name]

[Company Address]

**Subject: Management Letter regarding Deficiencies in Automated Cash Disbursement System**

Dear [Name],

In connection with our recent audit of the financial statements of [Company Name], we reviewed the internal controls relating to the automated cash disbursement system. Our objective was to assess the efficiency and security of the electronic payment processes.

During our review, we identified the following deficiencies that require your attention:

**1. Lack of Segregation of Duties**

Observation: We noted that certain employees have the authority to both initiate and approve electronic fund transfers (EFT) within the system.

Risk: This increases the risk of unauthorized or fraudulent disbursements.

Recommendation: Access rights should be restricted so that the individual who initiates a payment cannot be the same individual who authorizes it.

**2. Inadequate Logical Access Controls**

Observation: System passwords do not expire regularly, and multi-factor authentication (MFA) is not currently required for high-value transactions.

Risk: Unauthorized users may gain access to the disbursement module, leading to potential data breaches or financial loss.

Recommendation: Implement mandatory MFA and enforce periodic password updates for all users with payment authority.

**3. Missing Automated Reconciliation**

Observation: The automated system does not automatically reconcile daily disbursement logs with the general ledger bank balances.

Risk: Discrepancies between system records and bank statements may go undetected for extended periods.

Recommendation: Enable or develop an automated reconciliation feature to provide real-time visibility into outstanding payments and errors.

**4. Vendor Master File Maintenance**

Observation: There is no automated notification or secondary approval process when changes are made to vendor bank account details.

Risk: Fraudsters could alter banking information to redirect payments to unauthorized accounts.

Recommendation: Implement a workflow requiring independent verification and approval for any changes to vendor payment data.

We have discussed these observations with your IT and Finance departments, and their responses are noted in the attached detailed report. We would like to thank your staff for their cooperation during this process.

Sincerely,

[Your Name/Signature]

[Title]

[Audit Firm Name]