

[Date]

[Name of Management/Board of Directors]

[Company Name]

[Address]

[City, State, Zip Code]

Subject: Management Letter - Inadequate Supporting Documentation for Cash Disbursements

Dear [Name],

During our audit of the financial records for the period ending [Date], we identified deficiencies regarding the supporting documentation maintained for cash disbursements.

Observation:

Our testing revealed several instances where cash disbursements were processed without adequate supporting documentation, such as original vendor invoices, receipts, or approved purchase orders. In these cases, payments were made based on verbal requests or summary statements rather than detailed evidentiary matter.

Risk:

The lack of original, detailed documentation increases the risk of:

- Duplicate payments to vendors.
- Payments for goods or services not actually received.
- Unauthorized or fraudulent use of company funds.
- Incorrect classification of expenses in the general ledger.

Recommendation:

We recommend that management enforces a strict policy requiring original third-party documentation for all disbursements. Each payment voucher should be matched with a validated invoice and proof of receipt (such as a packing slip) before approval. Furthermore, all supporting documents should be marked "Paid" to prevent reuse.

Management Response:

[Insert Management's planned action and timeline here]

We are available to discuss this matter further and assist in the implementation of these improvements.

Sincerely,

[Your Name/Signature]

[Your Title]

[Firm Name]