

[Date]

[Recipient Name]
[Recipient Title]
[Company Name]
[Company Address]

Subject: Management Letter - Deficiency in Expense Report Disbursement Controls

Dear [Recipient Name],

In connection with our recent audit/review of the financial operations for the period ending [Date], we identified specific internal control deficiencies regarding the processing and disbursement of employee expense reports.

Observation:

Our testing revealed that several expense reports were reimbursed without [specific issue, e.g., original receipts, formal manager approval, or adherence to the per diem policy]. Additionally, we noted a lack of segregation of duties between the individuals who approve expenses and those who initiate the electronic payment transfers.

Risk:

Ineffective controls over expense disbursements increase the risk of fraudulent claims, duplicate payments, and non-compliance with tax regulations. Without standardized verification, the company may incur unnecessary operational costs or face scrutiny during regulatory audits.

Recommendations:

- Implement a mandatory requirement for original digital or physical receipts for all expenses exceeding [Amount].
- Enforce a strict "No Approval, No Payment" policy within the accounting software.
- Perform monthly reconciliations of expense disbursements against the general ledger by a staff member independent of the payment process.
- Conduct periodic audits of random expense samples to ensure compliance with the corporate travel and entertainment policy.

We recommend that management reviews these findings and strengthens the existing control framework to mitigate future financial risks.

We are available to discuss these observations and provide further assistance in developing remedial procedures.

Sincerely,

[Your Name/Signature]
[Your Title/Organization]