

[Date]

[To the Board of Directors / Management]

[Company Name]

[Company Address]

Subject: Management Letter Regarding Material Weakness in Segregation of Duties (Cash Disbursements)

Dear [Name],

In connection with our audit of the financial statements of [Company Name] for the year ended [Date], we identified a significant deficiency in the internal controls over cash disbursements related to the segregation of duties.

Observation:

During our review, we noted that the same individual is responsible for [list conflicting duties, e.g., authorizing payments, processing checks, and performing bank reconciliations]. Under current procedures, a single employee has the ability to initiate and execute a transaction without independent oversight.

Risk:

Inadequate segregation of duties increases the risk of errors, unauthorized disbursements, or fraudulent activities remaining undetected. Without a separation between the custody of assets and the record-keeping functions, the company's assets are at risk of misappropriation.

Recommendation:

We recommend that management redistribute the following duties among different employees:

- The person responsible for preparing checks should not have the authority to sign them.
- The individual performing bank reconciliations should not be involved in the cash disbursement process.
- Dual signatures should be required for disbursements exceeding [Amount].

Management Response:

[Space for Management to provide their corrective action plan]

This communication is intended solely for the information and use of management and the Board of Directors.

Sincerely,

[Your Name/Firm Name]

[Title]