

DATE: [Insert Date]

TO: [Insert Name of Management/Board of Directors]

FROM: [Insert Internal Audit/Finance Department Name]

SUBJECT: Management Letter: Bypass of Purchase Order Controls in Cash Disbursements

Dear [Insert Name],

During our recent review of the cash disbursement process for the period of [Insert Time Period], we identified a significant internal control weakness regarding the bypass of the formal Purchase Order (PO) system.

Observation:

Testing revealed that [Insert Number/Percentage] of disbursements were processed and paid based solely on direct invoices without a corresponding approved Purchase Order. It was noted that departments are frequently committing the organization to expenditures before obtaining proper authorization from the procurement department.

Risk:

Bypassing the PO process increases the risk of:

- Unauthorized or excessive spending.
- Budget overruns due to lack of pre-encumbrance tracking.
- Failure to utilize preferred vendors and negotiated discounts.
- Potential for fraudulent payments or duplicate billings.

Recommendation:

We recommend that management enforces a "No PO, No Pay" policy. All departments should be required to generate an approved PO prior to the procurement of goods or services. The Accounts Payable department should be instructed to reject invoices that do not reference a valid, pre-approved PO, except for specifically defined emergency exceptions.

Management Response:

[Insert Management Response/Action Plan]

Estimated Completion Date: [Insert Date]

Sincerely,

[Insert Signature]

[Insert Printed Name]

[Insert Title]