

[Date]

To: [Name of Management/Board of Directors]

[Company Name]

[Company Address]

Subject: Management Letter regarding Internal Control Weaknesses in Cash Disbursements

Dear [Name],

During our recent audit/review of your financial procedures, we identified certain vulnerabilities within the cash disbursement process that increase the risk of unauthorized payments or misappropriation of funds.

Observation: Lack of Segregation of Duties

It was noted that the individual responsible for initiating electronic fund transfers (EFTs) or preparing checks also has the authority to approve payments and perform bank reconciliations. This lack of segregation allows a single person to process and conceal unauthorized transactions.

Observation: Inadequate Documentation and Approval

We identified instances where disbursements were processed without formal purchase orders or evidence of receipt of goods/services. Additionally, some high-value payments lacked a secondary signature or secondary digital authorization.

Observation: Master Vendor File Management

There is currently no formal review process for changes made to the master vendor file. Unauthorized changes to vendor bank account details could lead to funds being diverted to fraudulent accounts.

Recommendations:

- Separate the functions of payment initiation, payment approval, and bank reconciliation.
- Enforce a dual-authorization requirement for all disbursements exceeding [Dollar Amount].
- Implement a periodic review of the master vendor file by a manager who does not process payments.
- Ensure all payments are matched against a verified invoice and proof of delivery before processing.

We recommend that management reviews these findings and implements the necessary controls to safeguard company assets.

Sincerely,

[Your Name/Firm Name]
[Title]