

[Accounting Firm Name]  
[Address Line 1]  
[City, State, Zip Code]  
[Phone Number]

[Date]

[Client Name]  
[Business Name]  
[Address Line 1]  
[City, State, Zip Code]

**Subject: Advisory Regarding Segregation of Duties and Internal Controls**

Dear [Client Name],

As part of our ongoing commitment to your business's financial health, we are writing to discuss the importance of Segregation of Duties (SoD) within your accounting operations. While we understand that small businesses often operate with limited staff, establishing clear boundaries in financial responsibilities is essential to prevent errors and protect your assets.

The primary goal of Segregation of Duties is to ensure that no single individual has control over all phases of a financial transaction. Ideally, the following three functions should be performed by different employees:

- **Custody:** Handling physical assets such as cash, checks, or inventory.
- **Authorization:** Approving transactions, such as signing checks or authorizing purchases.
- **Record-keeping:** Entering data into the accounting system and performing reconciliations.

In a small business environment where staff overlap is unavoidable, we recommend the following compensating controls:

- **Owner Oversight:** The business owner should personally review monthly bank statements and canceled checks before providing them to the bookkeeper.
- **Independent Reconciliations:** Ensure the person who processes payments is not the same person who reconciles the bank account.
- **Mandatory Vacations:** Require employees handling finances to take annual leave, allowing a temporary cross-check of their records.
- **System Access:** Limit software permissions so users only have access to the modules necessary for their specific tasks.

Implementing these steps reduces the risk of both intentional fraud and unintentional clerical errors. We would be happy to meet with you to review your current workflow and design a customized control structure that fits your current team size.

Please contact our office at [Phone Number] to schedule a consultation regarding these recommendations.

Sincerely,

[Partner Name]

[Accounting Firm Name]