

[Date]

[Owner/Manager Name]

[Company Name]

[Company Address]

**RE: Audit Finding - Segregation of Duties**

Dear [Owner/Manager Name],

We have completed our recent audit of [Company Name]'s internal controls for the period ending [Date]. During our review, we identified a significant finding regarding the Segregation of Duties (SoD).

**Finding:**

Due to the limited number of personnel, it was observed that a single individual is responsible for multiple conflicting stages of the financial process, specifically in [Insert Area, e.g., Accounts Payable/Payroll]. Currently, one employee has the authority to [Example: authorize payments, record transactions, and reconcile bank statements].

**Risk:**

A lack of segregation of duties increases the risk of errors or fraudulent activities remaining undetected. In a small business environment, this concentration of responsibility creates a vulnerability where financial records could be manipulated without oversight.

**Recommendations:**

To mitigate this risk, we recommend the following internal control improvements:

- **Task Rotation:** Distribute the functions of authorization, recording, and custody of assets among different employees.
- **Management Oversight:** If additional hiring is not feasible, ownership should perform a detailed monthly review of bank reconciliations and original source documents.
- **System Access:** Limit software permissions so that the person entering invoices cannot also approve payments.

Please provide a written response outlining your planned corrective actions by [Date]. We are available to discuss these recommendations further to ensure your business remains protected.

Sincerely,

[Your Name/Auditor Name]

[Title/Firm Name]