

[Date]

[Client Name]

[Client Business Name]

[Client Address]

[City, State, Zip Code]

Subject: Advisory on Segregation of Duties (SoD) Best Practices

Dear [Client Name],

As your business continues to grow, maintaining strong internal controls is essential to protecting your assets and ensuring accurate financial reporting. One of the most effective ways to prevent errors and fraud is through the **Segregation of Duties (SoD)**.

The core principle of SoD is that no single individual should have control over all phases of a financial transaction. Ideally, the following four functions should be handled by different employees:

- **Authorization:** Approving transactions or decisions (e.g., signing checks or approving invoices).
- **Custody:** Having physical access to assets (e.g., handling cash or maintaining inventory).
- **Recordkeeping:** Entering data into the accounting system or preparing financial statements.
- **Reconciliation:** Verifying the accuracy of records against independent sources (e.g., bank reconciliations).

Recognizing that small businesses often have limited staff, we recommend the following practical steps to strengthen your oversight:

1. **Owner Oversight:** If you cannot hire additional staff, the business owner should personally review monthly bank statements and sign all checks.
2. **Separate Handling and Recording:** The person who opens the mail and lists incoming checks should not be the person who records them in the accounting software.
3. **Independent Reconciliations:** Ensure that the person performing bank reconciliations is not involved in processing payments or deposits.
4. **System Access Controls:** Limit user permissions within your accounting software so employees only have access to the functions required for their specific roles.

Implementing these practices reduces the risk of undetected errors and provides a deterrent against internal fraud. We would be happy to review your current workflows and help you design a customized SoD plan that fits your staffing levels.

Please contact us at [Phone Number] or [Email] to schedule a consultation.

Sincerely,

[Your Name]
[Your Title]
[Firm Name]