

Date: [Insert Date]

To: [Owner/Executive Name]

From: [Your Name/Title]

Subject: Executive Summary: Segregation of Duties (SoD) Vulnerability Assessment

1. Purpose

The purpose of this summary is to highlight critical internal control vulnerabilities identified within [Company Name] regarding the Segregation of Duties (SoD). This review focuses on reducing the risk of error, fraud, and operational inefficiency.

2. Current Status and Vulnerabilities

Our assessment indicates that several key financial and operational processes are currently managed by a single individual. The primary areas of concern include:

- **Cash Handling and Reconciliation:** The same employee responsible for receiving payments also records them in the ledger and performs bank reconciliations.
- **Procurement and Payments:** One individual has the authority to approve vendors, create purchase orders, and sign checks/initiate wire transfers.
- **Payroll Processing:** A single staff member manages the addition of new employees to the system, enters hours, and executes the final payroll distribution.

3. Identified Risks

Under the current structure, the following risks are elevated:

- Misappropriation of assets or undetected financial theft.
- Unintentional data entry errors remaining uncorrected due to lack of oversight.
- Inaccurate financial reporting leading to poor business decisions.

4. Recommended Actions

To mitigate these risks, we recommend the following immediate steps:

- **Task Rotation:** Distribute responsibilities so that the person who initiates a transaction is not the same person who records or authorizes it.
- **Mandatory Oversight:** Implement a formal review process where a second manager must sign off on reconciliations and high-value payments.
- **System Access Controls:** Update software permissions to restrict user access to only the functions required for their specific role.

5. Conclusion

While small business environments often face staffing constraints, implementing basic SoD protocols is essential for safeguarding company assets. We are available to discuss a phased implementation plan to address these vulnerabilities.

Sincerely,

[Your Signature]

[Your Printed Name]