

[Date]

[To: Owner/Manager Name]

[Company Name]

[Company Address]

**Subject: Management Letter Regarding Segregation of Duties**

Dear [Owner/Manager Name],

In connection with our recent review of your company's internal control environment, we are writing to address the specific challenge of segregation of duties within your organization.

**Observation:**

Due to the limited number of personnel in the accounting and administrative departments, we noted that several key financial responsibilities are performed by the same individual. Specifically, the processes for [e.g., bank reconciliations, payroll processing, and check signing] are not sufficiently separated. This overlap increases the risk of errors or irregularities occurring and remaining undetected.

**Risk:**

In a small business environment, lack of segregation of duties may lead to misappropriation of assets, inaccurate financial reporting, or unauthorized transactions.

**Recommendations:**

While we understand that hiring additional staff may not be feasible at this time, we recommend implementing the following mitigating controls:

- **Management Oversight:** The owner or manager should personally review and initial monthly bank statements and canceled checks before providing them to the bookkeeper.
- **Approval Requirements:** Require a second signature or electronic approval for all expenditures over a predetermined threshold (e.g., \$[Amount]).
- **Independent Reviews:** Periodically perform spot checks on inventory records, payroll registers, and accounts receivable aging reports.
- **System Access:** Limit software permissions so that the individual who records transactions cannot also authorize payments or modify vendor master files.

**Conclusion:**

Implementing these oversight procedures will significantly strengthen your internal control structure without the need for additional headcount.

We are available to discuss these recommendations further and assist with the implementation of these controls.

Sincerely,

[Your Name/Signature]  
[Your Title/Firm Name]